



CANADA

CENTRAL BANK TRANSPARENCY CODE REVIEW

September 2022

This paper on Canada was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time of the mission and it was completed on September 16, 2022.

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September 16, 2022

DETAILED REVIEW REPORT

Prepared By
**Monetary and Capital
Markets Department**

This report was prepared based on the work of a hybrid IMF mission to Canada in May 2022. The IMF team for the Central Bank Transparency Code (CBT) Review mission was led by Dmytro Solohub (MCM) and comprised Elie Chamoun (FIN) Deputy Mission Chief; Asad Qureshi (MCM); Hans Weenink and Indulekha Thomas (LEG); and Vern McKinley, and Elias Kazarian (IMF External Experts); and overseen by the Monetary and Capital Markets Department, IMF.

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The team extends its warm appreciation to the Board, senior management, and staff of the Bank of Canada, who provided excellent cooperation, and to outside stakeholders and interested public for their valuable views and insights.

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Glossary

AFC	Audit and Finance Committee
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ATIA	Access to Information Act
ATIP	Access to Information and Privacy
BIS	Bank of International Settlements
BOC	Bank of Canada
CBDC	Central Bank Digital Currency
CBT	IMF Central Bank Transparency Code
CDIC	Canada Deposit Insurance Corporation
CFEC	Canadian Foreign Exchange Committee
CFSRG	Canadian Financial Sector Resilience Group
CMHC	Canada Mortgage and Housing Corporation
COC	Code of Conduct
CTRF	Contingent Term Repo Facility
DOF	Department of Finance
D-SIFI	Domestic Systemically Important Financial Institution
EFA	Exchange Fund Account
ELA	Emergency Liquidity Assistance
EPR	Economic Progress Report
ERM	Enterprise Risk Management
FAA	Financial Administration Act
FCAC	Financial Consumer Agency Canada
FISC	Financial Institutions Supervisory Committee
FMC	Funds Management Committee
FMI	Financial Market Infrastructure
FMI-RC	FMI-Resolution Committee
FSAP	IMF Financial Sector Review Program
FSB	Financial Stability Board
FSR	Financial System Review
FX	Foreign Exchange
FXI	Foreign Exchange Interventions
HoA	Head of Regulatory Agencies Committee
IC	Information Commissioner
IFRS	International Financial Reporting Standards
IT	Inflation Targeting
MoU	Memorandum of Understanding
MPR	Monetary Policy Report
MPRC	Monetary Policy Review Committee
OSFI	Office of the Superintendent of Financial Institutions
QE	Quantitative Easing
SAC	Senior Advisory Committee
SRSC	Systemic Risk Surveillance Committee
STLF	Standing Term Liquidity Facility

EXECUTIVE SUMMARY

The Bank of Canada (BOC) sets a high benchmark for transparency, which is recognized by its stakeholders, thus maintaining a high level of trust and accountability. The BOC's transparency practices are broadly aligned with expanded and comprehensive practices as defined by the IMF Central Bank Transparency Code (see Table 1). This is acknowledged by the BOC's external stakeholders, who view the central bank as an open, dynamic, and transparent public institution.

The BOC implements advanced transparency practices which were evidenced in several practice areas:

- The BOC is actively using novel communication tools, such as layering of policy communications, and strives to be an avid listener, getting feedback on its policies and operations via different means.
- The BOC discloses its financial stability policy framework, including objectives, strategy, and instruments, as well as a comprehensive assessment of risks to financial stability.
- The BOC's transparency framework on the Emergency Liquidity Assistance (ELA) framework is comprehensive regarding the policy, objectives, terms, and conditions as well as the ongoing liquidity provision.
- The BOC is transparent about its interactions with foreign governments and international organizations, disclosing comprehensive information on its global engagements.
- The BOC takes a proactive stance on communications regarding newly emerging topics, such as climate change and central bank digital currency (CBDC), transparently explaining how they pertain to the BOC's legal mandate and objectives.
- With the launch of large-scale asset purchase programs in 2020 as a response to pressures caused by the COVID-19 pandemic, the BOC has fully disclosed the reasoning, parameters and expected results. It took the same approach this year when it started to unwind the program.

The transparency gaps revealed by the review are mostly attributed to legacy issues as the BOC transparency framework has been working well and proved to be resilient. In particular, the key elements of transparency in the governance structure are in place and the existing practices need only to be adequately reflected (see Recommendations 1–3). This concerns areas, such as the scope of the judicial review of BOC decisions (this becomes particularly relevant in view of the BOC's new powers with respect to retail payment systems), disclosure of risk management practices, internal anti-money laundering/countering the financing of terrorism (AML/CFT) controls, transparency of audit mechanisms, and a clearer definition of confidentiality parameters. Furthermore, while the BOC pursues a flexible exchange rate regime and the last time it resorted to foreign exchange (FX) interventions was almost 25 years ago, additional disclosure (taken in the coordination with the Government of Canada) on the rationale for instrument choice would enhance transparency.

The BOC monetary policy framework is comprehensive, transparent, and understandable, although there is room for greater transparency with respect to the policy deliberations.

The BOC has been one of the pioneers in setting the standards for monetary policy communication by introducing fixed announcement dates for policy rate setting and publishing regular information on its policy framework, decisions, and operations in a clear and understandable manner. But given the dynamic notion of transparency and heightened economic uncertainty, the BOC could strengthen its relations with its stakeholders by providing more information on monetary policy deliberations and ex-post policy evaluations. Moreover, following the recent modification of the BOC's mandate to consider the broader labor market, the role of comprehensive and coherent communication on the BOC's core objectives is becoming even more important.

There is a room to improve transparency on the BOC's relations with domestic financial agencies, taking into consideration Canada's financial policy-making structure.

While the BOC is not a sole authority responsible for macroprudential policy and FX reserve management, it is actively involved in policy discussions and deliberations with several federal and provincial authorities. The BOC participates in various committees and working groups together with the Department of Finance (DOF) and other domestic financial agencies, but basic information on their proceedings is not regularly and timely disclosed. Mindful of confidentiality obligations, as well as the involvement of the other domestic agencies and the need for a consensus-based decision on greater transparency, the BOC could broach the need for additional disclosures on the activities and deliberations taking place during the regular meetings of these committees, thereby benefitting the external stakeholders of Canada's policymaking institutions.

Table 1. Canada: Central Bank Transparency Overview for the Bank of Canada								
Pillar	Principle		Sub-principle		Practices			
					Core	Expanded	Comp.	
I. Governance	1.1.	Legal Structure						
	1.2.	Mandate						
	1.3.	Autonomy	1.3.1.	Institutional/Operational				
			1.3.2.	Functional				
			1.3.3.	Personal				
			1.3.4.	Financial				
	1.4.	Decision-Making						
	1.5.	Risk Management	1.5.1.	Risk Exposure				
			1.5.2.	Risk Framework				
	1.6.	Accountability Framework	1.6.1.	Arrangements				
			1.6.2.	Tools				
			1.6.3.	Anti-Corruption/COC				
			1.6.4.	Human Capital Management				
	1.7.	Communication	1.7.1.	Arrangements				
1.7.2.			Strategy/Tools					
1.8.	Confidentiality							

Table 1. Canada: Central Bank Transparency Overview for the Bank of Canada (continued)

Pillar	Principle	Sub-principle	Practices
II. Policies	2.1. Monetary Policy	2.1.1. Objectives/Framework	
		2.1.2. Policy Decisions	
		2.1.3. Supporting Analysis	
	2.2. FX Administration	2.2.1. Objectives/Framework	
		2.2.2. Policy Decisions	
		2.2.3. Supporting Analysis	
	2.3. FX Management	2.3.1. Objectives/Framework	
		2.3.2. Policy Decisions	
		2.3.3. Supporting Analysis	
	2.4. FX Reserve Management	2.4.1. Objectives/Framework	
		2.4.2. Policy Decisions	
		2.4.3. Supporting Analysis	
	2.5. Macroprudential	2.5.1. Objectives/Framework	
		2.5.2. Policy Decisions	
		2.5.3. Supporting Analysis	
2.6. Microprudential Supervision			
2.7. Emergency Liquidity Assistance (ELA)			
2.8. Resolution			
2.9. FMI			
2.10. Financial Integrity	2.10. (a) AML/CFT supervision		
	2.10. (b) Internal AML/CFT controls		
2.11. Consumer Protection			
III. Operations	3.1. Monetary Policy	3.1.1. Instruments	
		3.1.2. Coverage	
		3.1.3. Access	
	3.2. FX Administration	3.2.1. Instruments	
		3.2.2. Coverage	
	3.3. FX Management	3.3.1. Instruments	
		3.3.2. Coverage	
	3.4. FX Reserve Management	3.4.1. Instruments	
		3.4.2. Coverage	
		3.4.3. Assessment	
	3.5. Stress Testing	3.5.1. FS Assessments	
		3.5.2. ST Methods	
		3.5.3. ST Coverage	
		3.5.4. Use of ST Results	
	3.6. Macroprudential	3.6.1. Instruments	
		3.6.2. Enforcement	
	3.7. Microprudential Supervision		
3.8. Emergency Liquidity Assistance (ELA)			
3.9. Resolution			
3.10. FMI			
3.11. Financial Integrity	3.11. (a) AML/CFT supervision		
	3.11. (b) Internal AML/CFT controls		
3.12. Consumer Protection			

Table 1. Canada: Central Bank Transparency Overview for the Bank of Canada (concluded)

Pillar	Principle		Sub-principle		Practices		
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions			
			4.1.2.	Policies			
			4.1.3.	Operations			
	4.2.	FX Administration	4.2.1.	Governance Actions			
			4.2.2.	Policies			
			4.2.3.	Implementation			
	4.3.	FX Management	4.3.1.	Governance Actions			
			4.3.2.	Policies			
			4.3.3.	Operations			
	4.4.	FX Reserve Management	4.4.1.	Governance Actions			
			4.4.2.	Reporting on Imp.			
			4.4.3.	Financial Results			
	4.5.	Macroprudential	4.5.1.	Governance Actions			
			4.5.2.	Policies			
4.6.	Microprudential Supervision						
4.7.	ELA						
4.8.	Resolution						
4.9.	FMI						
4.10.	Financial Integrity	4.10. (a) AML/CFT supervision					
		4.10. (b) Internal AML/CFT controls					
4.11.	Consumer Protection						
V. Official Relations	5.1.	Government	5.1.1.	Institutional			
			5.1.2.	Financial			
			5.1.3.	Instruments			
			5.1.4.	Outcome			
	5.2.	Domestic Agencies	5.2.1.	Institutional			
			5.2.2.	Instruments			
			5.2.3.	Macroprudential			
			5.2.4.	Financial Stability			
5.3.	Foreign Agencies	5.3.					
5.4.	Other Relations	5.4.1.					
	Denotes "Not Applicable"			Denotes "Not Implemented"			

A. Key Recommendations¹

1. Going forward, providing transparency of the judicial review of BOC decisions would benefit from disclosing information on the applicable review mechanisms for the BOC's enforcement powers vis à vis its new function regarding supervision of retail payments providers.

2. The disclosure of the risk appetite statement and revised risk governance will boost the transparency of the risk management function.

¹ Please refer to the Detailed Review Table in Annex I for the complete overview of principle wise transparency recommendations.

3. **Transparency of audit mechanisms would benefit from:** (i) disclosing an external audit selection and rotation policy, including criteria for eligibility, independence, and compliance with international standards; and (ii) clarifying the mandate and reporting structure of the internal audit function, and publishing the charter governing its operations.
4. **Consider publishing a detailed summary of monetary policy deliberations** by the Governing Council, as well as enhancing its communication on ex-post evaluation of the policy decisions, disclosing alternative policy scenarios, and improving the timeliness and accessibility of published macroeconomic projections.
5. **Promote BOC's financial stability messages** more broadly to the general public by increasing the frequency of its communication using "plain language."
6. **Put in place a framework** that provides information on how and to what extent financial stability measures, including market-wide exceptional liquidity support, contribute to achieving BOC's objectives such as restoring market functioning.
7. **Consider the disclosure of its internal AML/CFT controls** with appropriate confidentiality and security safeguards.
8. **Enhance the transparency framework** by disclosing more information on the BOC involvement and its deliberation in various committees and groups, as well as bilateral collaboration with other federal and provincial regulatory authorities that are relevant for financial stability.
9. **Enhance the disclosures on foreign exchange intervention and reserve management** by releasing information on BOC's involvement in various committees and groups, and on BOC's role in the context of foreign reserve and fund management. In context of FX intervention, a clear communication on the rationale for instrument choice would enhance transparency.
10. **Improve the accessibility of information** on topics such as risk management, monetary policy instruments, the policy on FX interventions, and financial stability research and analysis.

SCOPE AND OBJECTIVE

11. **In response to a request from the BOC, the mission conducted the Central Bank Transparency Code review.** This mission was the sixth conducted under the pilot CBT review program. The scope of the review covers all CBT principles, excluding those that are not performed by the BOC (i.e., consumer protection, AML/CFT supervision, FX administration, FX reserve management, macroprudential policy) or fall outside of the scope of CBT reviews, given the existence of established international standards (i.e., microprudential supervision and resolution, and Financial Markets Infrastructure). These principles are denoted as "Not Applicable" in the review, except for certain sub-principles related to these areas; while the BOC is not a sole authority responsible for FX reserve management and macroprudential regulation, it still performs certain functions in these areas in cooperation with other domestic financial agencies. Therefore, the transparency of its

activities is reviewed under Pillar V. Also, for the same reason, under the corresponding principles of Pillars II, III, and IV, the mission reviews BOC's transparency practices with regard to its financial stability, and not macroprudential, mandate.

12. The review is intended to allow BOC to evaluate its transparency practices and is aimed at identifying both its strengths and areas for improvement. The review maps the BOC's transparency choices compared to a range of practices across three categories (core, expanded and comprehensive), as detailed in the [Central Bank Transparency Code](#) covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review aims to help the BOC in further strengthening the dialogue with the stakeholders and finding the proper balance between independence and accountability. While it is important to note that the CBT review is not an assessment of central bank policies, the comprehensive review of transparency practices would be beneficial for the BOC in its efforts to advance policy effectiveness. The CBT's range of practices are not intended to be a tool for transparency ranking of central banks.

APPROACH AND METHODOLOGY

13. The mission's review approach consisted of a desk review and in-depth discussions with the BOC and its key stakeholders. The mission team conducted preliminary desk review based on the publicly available information and the Self-Review questionnaire provided by the BOC prior to the mission.² These desk reviews formed the basis for discussions with BOC's management and staff, as well as meetings with the key stakeholders (from the public and private sector, including academia, think tanks and journalists).³ The meetings facilitated understanding and collecting views on, and experiences with the BOC on its transparency practices. More than thirty meetings (in hybrid and virtual formats) were conducted over the course of two weeks. The meetings with key stakeholders were planned in coordination with the central bank, though BOC's staff did not attend those meetings. The team highly appreciated the very high quality of cooperation, including the provision of self-review, documentation, and technical support, as well as facilitating the mission meetings schedule, and extends its warm thanks to the staff of the BOC.

14. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency. The review maps the BOC's transparency practices across a range of best practices and was reviewed in the context of the BOC's legal mandate and policy context, and prevailing general legal framework. The review also considered important dimensions of transparency, including: (i) timeliness; (ii) periodicity; and (iii) quality of disclosure. The latter is considered in terms of accessibility and ease of understanding, especially by the general public. The review also took into account the views expressed by the BOC stakeholders.

² The mission took place during May 11–24, 2022, and initiatives implemented after the review date have not been considered.

³ See Annex II for the list of BOC's units and external stakeholders.

BACKGROUND

15. The BOC's mandate and governance arrangements are well-defined in the legislation.

The BOC is a special type of Crown corporation, owned by the Government, but with considerable autonomy to implement its responsibilities. The legal basis for the BOC's objectives for monetary policy, financial stability, currency, and funds management are clearly stipulated in the Bank of Canada Act. Its principal role, as defined in the Act, is "*generally to promote the economic and financial welfare of Canada.*"

- The BOC was one of the earliest adopters of an inflation targeting regime and the inflation-control target is reviewed every five years jointly by the BOC and the federal government⁴. The day-to-day conduct of the monetary policy is the responsibility of the BOC's Governing Council.
- Furthermore, the BOC fosters a stable and efficient financial system by identifying and monitoring financial stability risks, providing liquidity, including lender-of-last-resort facilities, and overseeing and acting as the resolution authority for critical financial market infrastructures.⁵
- The BOC also manages the design, issuance, and distribution of Canada's bank notes, and acts as a fiscal agent for public debt and foreign exchange reserves.
- The Payment Clearing and Settlement Act gives the BOC the responsibility for overseeing payments and other clearing and settlement systems in Canada, for the purpose of controlling systemic and payments system risks.

16. The BOC is an integral part of Canada's financial stability architecture. Financial oversight and resolution are the responsibility of multiple federal and provincial authorities, which makes the coordination among regulators very critical. The BOC shares this responsibility with major federal and provincial regulators, represented by the Head of Regulatory Agencies (HoA) Committee, which is chaired by the BOC Governor, and includes the Department of Finance, Office of the Superintendent of Financial Institutions (OSFI) and four provincial securities regulators. Following the 2019 Financial Sector Assessment Program (FSAP) findings on the need to enhance systemic risk oversight, the Systemic Risk Surveillance Committee (SRSC) was established in 2019. It includes all relevant agencies that participate in the HoA, in addition to Canada Deposit Insurance Corporation

⁴ In 2021, the [country's flexible inflation-targeting framework was renewed for another five-year period](#), ending on December 31, 2026. The Government and the BOC believe that the best contribution of monetary policy to the well-being of Canadians is to continue to focus on price stability. Under this agreement, the BOC will continue to conduct monetary policy aimed at keeping inflation—as measured by the 12-month rate of change in the consumer price index—at 2 percent, with an inflation-control range of 1 to 3 percent. At the same time, the agreement also envisages that the BOC will consider labor market developments, while still primarily focusing on delivering low and stable inflation rate.

⁵ The BOC doesn't have macroprudential mandate as the Minister of Finance is responsible for the macroprudential policy. The Office of the Superintendent of Financial Institution supervises and regulates all banks and other financial institutions.

(CDIC), Canada Mortgage and Housing Corporation (CMHC), and two provincial financial services regulatory authorities.⁶

17. A strong history of prudent policymaking and ample buffers helped the Canadian economy to smoothly weather the economic shock caused by the COVID-19 pandemic.

The Canadian authorities took timely, swift, and well-coordinated policy actions in response to the pandemic (see below). While the economy took a large hit in 2020 due to severe economic and social restrictions, it rebounded strongly in 2021 on the back of massive fiscal and monetary expansion.

18. The Canadian financial system proved resilient during the COVID-19 pandemic thanks to strong and sound financial policies and unprecedented fiscal and monetary policy support.

The 2019 FSAP indicated that Canada has sound and resilient banking sector, which is adequately shielded against major macroeconomic shocks. This conclusion has been fully affirmed during the pandemic-related crisis given the extraordinary operations conducted in response; the authorities provided unprecedented policy support, with the BOC launching a suite of liquidity facilities and asset purchase programs that proved vital for restoring market functioning and keeping credit flowing to the economy. A dedicated section on the BOC's website was established to communicate detailed information about the bank's COVID-19 related actions to support the economy and financial system, including the different asset purchases programs as well as the balance sheet expansion and risk mitigations. Similarly, details about these extraordinary measures and programs featured prominently in the BOC annual report (see Box 1). The implementation of FSAP recommendations has also progressed with respect to enhancement of information sharing, as well as collaboration among financial oversight agencies. Going forward, global economic uncertainty and domestic macrofinancial vulnerabilities (e.g., high household indebtedness, housing market imbalances, and climate-change financial risks) represent the main challenges for financial stability.

⁶ The BOC and the provincial securities commissions have overlapping mandates with respect to oversight of FMI, while the BOC is solely responsible for the resolution of FMIs. However, since the transparency of FMI oversight and resolution is beyond the scope of this exercise, no review of BOC's transparency practices in this area has been conducted.

Box 1. The Bank of Canada's COVID-19 Response—Extraordinary Operations

The **COVID-19 pandemic** caused a massive disruption to the Canadian economy. But the financial system proved to be resilient and acted as a shock absorber for the broader economy. Canadian banks were well capitalized going into the pandemic. In addition, the Canadian government and the Bank of Canada provided unprecedented policy support. Consequently, commercial banks were able to continue lending to households and businesses throughout the economic downturn.

In response to the COVID-19 crisis, the BOC designed and launched a suite of **liquidity facilities** (new and modified) and **asset purchase programs**. These tools were integral in restoring market functioning and in keeping credit flowing to the economy. Combined with the BOC's extraordinary forward guidance, they also enabled interest rate cuts to work their way through the economy.

Overview. The BOC launched or expanded 11 **special liquidity** and **asset purchase facilities** (eight of which were entirely new). It also enlisted external asset management expertise to establish and manage three of these facilities. In the first three months of its crisis response, the BOC's various liquidity facilities and asset purchases injected more than \$377 billion in total liquidity into the financial system. Overall, the BOC's balance sheet nearly quintupled, from \$120 billion in March to roughly \$550 billion by the end of 2020. These purchases were mainly funded by an increase in settlement balances, which rose from \$250 million before the crisis to close to \$350 billion by the end of the year.

Quantitative Easing (QE) program. The program initially contributed to help core markets return to normal functioning, then pivoted to providing additional monetary stimulus to support the economy and achieve the BOC's inflation target. The QE purchases lowered longer-term interest rates that matter most for households and businesses. This complemented the policy rate cuts made by the BOC at the onset of the pandemic, which directly affected very short-term interest rates. As market functioning returned and the focus shifted to the economic recovery, the BOC discontinued or scaled back some of the short-term liquidity facilities during the latter half of 2020. See also [Understanding Quantitative Easing](#).

Short-term lending. In addition to outright asset purchase programs, the Bank also provided short-term collateralized loans to sound financial institutions as part of its strategy to support liquidity in the financial system. This was done by significantly expanding the existing term repo program and by accelerating the launch of the new Standing Term Liquidity Facility (STLF). The availability of a public liquidity backstop ensured that sound financial institutions had continued access to funding. In particular, the STLF provided smaller financial institutions (that may not have access to other BOC's liquidity facilities such as the Standing Liquidity Facility and the Contingent Term Repo Facility) with access to central bank liquidity by pledging assets (including mortgages).

The above response was enabled with enhanced operations. Extensive measures were put in place to ensure the BOC could continue to conduct its critical operations during the pandemic. This was challenging because some operations have security and technology requirements that depend on staff being onsite to conduct them. In addition, the volume of transactions was significantly higher in 2020 than in previous years.

Additional References:

- [COVID-19: Actions to support the Economy and Financial System](#)
- [COVID-19 Response: Keeping Markets Liquid](#)
- [COVID-19 Response: Large Scale Asset Purchases](#)

Source: [BOC 2020 Annual Report - Responding to the Crisis: Extraordinary Operations](#).

19. The BOC has a long history as a trusted and well-respected public institution. Under its Act, the BOC is required to submit to the Minister of Finance, through the Governor, its annual report and audited financial statements. The annual report is then presented to Parliament by the minister and a copy is published in the *Canada Gazette*. In addition, the Governor and Senior Deputy Governor make semi-annual appearances before the House and Senate Finance and Banking Committees. Apart from the legislative requirements, the commitment to maintain open communications with the stakeholders has been firmly enshrined in the BOC's policies and practices. With the introduction of an inflation targeting regime in the early 1990's, the BOC has pioneered monetary policy transparency practices among central banks. The launch of the Monetary Policy Report was followed by the introduction of a fixed schedule for the announcement of interest rate decisions. Subsequently, the BOC also substantially increased the frequency of pre-announced public appearances and speeches. However, the BOC does not publish the minutes (or a summary) of monetary policy deliberations, a practice considered as the golden standard among inflation targeting central banks. The BOC also regularly communicates on financial stability issues, which has proved increasingly important in the wake of the Global Financial Crisis in 2008–2009 and, more recently, given rising concerns about the overheating of the Canadian housing market.

20. The official website and regular flagship reports are the cornerstones of the BOC's communication framework, while it also keeps up with the rapidly evolving central bank communication trends. The BOC website serves as the main channel of providing stakeholders with information on the bank's policies and activities. The BOC flagship publications are the *Annual Report*, quarterly *Monetary Policy Report (MPR)*, and annual *Financial System Review (FSR)*. Other regular publications include information on the BOC's strategic plans, accountability and compliance practices, financial arrangements, and international relations. In the context of a shifting media landscape, increased digitalization, and growing public expectations for transparency, the BOC is exploring novel communication tools and channels (i.e., increasing use of social media and digital platforms) to make key publications and speeches more understandable to non-specialists, and developing its website and Museum products to engage broader audiences.

21. Central banks around the globe are seeing their roles and responsibilities being expanded beyond the conventional objectives of low inflation and financial stability to account for emerging issues such as climate change, inequality, labor markets, digital currencies, and housing market developments. In addition to addressing these newly emerging topics within its practices, the BOC is being proactively transparent in its communication about the latter, explaining how they align with the central bank's legal mandate and objectives, in particular, with respect to climate change risk and CBDC.

- **Climate change and related risks.** While central banks do not set environmental policies (a government responsibility), they can help reinforce society's understanding of the [economic and financial system impacts of climate change](#) and the policies to address it. To assist investors, regulators, and everyday Canadians make informed decisions, the BOC is ramping up efforts to better understand climate change because of its important effects on the economy and prices (inflation). The BOC is also working to better understand risks from climate change on the

financial system as part of the efforts to help keep it safe for Canadians. To this effect, and in addition to a separate section in its annual report to publish details about its work on climate change and disclose exposures to climate-related risk, the BOC's communication strategy with respect to climate issues also relied on extensive information provided on its website as well speaking engagements of members of its Governing Council (see Box 2).

Box 2. Environmental and Climate-Related Risk— Advancing the Bank of Canada's Climate Change Work

In 2021, the Bank of Canada dedicated more resources to understanding and managing climate risks. It began developing a strategy for climate risk assessment to align its financial disclosures with the recommendations of the Task Force on Climate-Related Financial Disclosures. In addition, the BOC deepened its understanding of these risks and continued its efforts to reduce its carbon footprint and manage climate-related risks to its operations. Key highlights:

Exploring how climate change could affect the economy and price stability: BOC staff continued to research how climate change and transitioning to a low-carbon economy could affect the economy, inflation, and jobs. This work included developing Canadian macroeconomic scenarios, which are useful for identifying potential risks in an environment of considerable uncertainty. The BOC also continued integrating climate considerations into its macroeconomic simulations, which helped in better defining what climate change might mean for the Canadian and global economies. As such, the BOC became one of the leading central banks to assess transition risks by combining climate-economy models with macroeconomic models.

Gauging how climate change could affect the financial system: As climate change also poses important risks to individual participants within the financial system, the 2021 BOC [Financial System Review](#) summarized research that combined data on regional exposure to climate-related natural disasters with data on the geographic distribution of household financial vulnerabilities. This work helped researchers recognize how climate-related natural disasters—depending on where they occur—can have varying implications for the economy and financial system. With transition to a low-carbon economy also posing climate risks to the financial system, the BOC also worked with OSFI and six Canadian financial institutions to complete a [pilot project](#) that used climate scenarios to assess transition risks. The project helped the financial sector to: (i) increase its understanding of the potential exposure to climate transition risks; (ii) improve its assessment and disclosure of climate-related risks; and (iii) build the capability to conduct climate scenario analysis. The project also improved authorities' understanding of the practices that financial institutions have put in place to govern and manage risks and opportunities related to climate change.

Contributing to international dialogue on climate risks: With both the G7 and G20 presidencies including climate action among their policy priorities, central bank governors agreed on more systematic analysis to assess macroeconomic risks stemming from climate change. The BOC sits on the steering committee for the international [Central Banks and Supervisors Network for Greening the Financial System](#), using its influence and expertise in this area, including to promote a scenario-based approach to the disclosure of climate-related risks. It also played a role in the FSB's work on [climate-related financial risks](#). As a member of the [G20 Sustainable Finance Working Group](#), the Bank contributed to a [sustainable finance roadmap](#).

Reducing the BOC's environmental footprint: To fulfill its 2020 commitment to achieving net-zero operational carbon emissions by 2050, the BOC identified the primary operational areas to be targeted. It also established preliminary action plans for their decarbonization, including a roadmap for reducing

Box 2. Environmental and Climate-Related Risk— Advancing the Bank of Canada’s Climate Change Work (concluded)

emissions in its facilities by 40 percent (2025) and 80 percent (2030). The BOC also completed site assessments of all the buildings it owns, to be followed by environmental engineering studies to identify opportunities for significant improvements in energy, waste, and water consumption. In addition, the BOC signed an agreement with a clean energy provider to shift to 100 percent renewable electricity in 2022.

Disclosing exposures to climate-related risk: In 2021, the BOC began developing a framework to measure and report its own exposure to climate-related risk. In 2022, the Bank of Canada will begin work on reporting its climate-related financial risks. It will use its climate risk framework and draw on best practices and the experiences of other central banks to draft its report. These are described in the Network for Greening the Financial System Guide, which the BOC contributed to in 2021.

Source: [BOC 2021 Annual Report - Advancing the Bank’s Climate Change Work](#).

- **Central bank digital currency.** The BOC is being proactive in building the capability to issue a digital version of the Canadian dollar—known as a central bank digital currency (CBDC)—to be ready should the need arise. Currently, there are no plans to issue a digital currency, a decision that ultimately will need to be taken by Parliament and the Government of Canada. In addition to the publication of specialized reports in this respect, jointly with international stakeholders, the BOC’s work on CBDC is prominently communicated through its website and annual report (see Box 3).

Box 3. The Bank of Canada’s Work on Central Bank Digital Currencies

The Bank of Canada is continuing to build its capacity for potentially issuing CBDC. Given that legislative amendments would be required, any decision to issue a CBDC in Canada ultimately rests with Parliament. Although no such decision has been made, the BOC is committed to being ready to issue a CBDC should the need arise. As part of this commitment, the BOC made progress in several areas:

Improving technical understanding of possible designs: In 2021, the BOC made progress on the possible conceptual and technical designs of a CBDC. Collaborating with academics and specialists, the Bank of Canada investigated novel technologies, such as advances in cryptography, to: (i) balance privacy with compliance requirements; and (ii) achieve the highest degree of security. The BOC also focused on expanding its expertise on accessibility issues and engaged three project teams from Canadian universities to develop fresh ideas on CBDC design independently of the BOC. Finally, in March 2022 the BOC and the Massachusetts Institute of Technology (MIT) announced an agreement to collaborate on a twelve-month research project on CBDC. The BOC will work with the MIT Media Lab’s Digital Currency Initiative to explore how advanced technologies could affect the potential design of a CBDC, building on the DCI’s ongoing research into CBDC. This exploration will help inform the Bank of Canada’s research effort into CBDC.

Monitoring the evolution of the Canadian payments landscape: In 2021, the BOC established a framework to support overseeing the rapidly evolving payments system and help determine whether the need to issue a CBDC might arise; this includes keeping track of new forms of digital money, such as stablecoins and CBDCs issued in other countries. To reinforce its currency and payments functions, the BOC regularly conducts research exploring the Canadian payments landscape. This includes ongoing work to understand: (i) the demand for and use of cash; (ii) potential implications of a CBDC; and (iii) use and evolution of digital currencies and financial technologies (fintech). Through models

Box 3. The Bank of Canada's Work on Central Bank Digital Currencies (concluded)

and laboratory experiments, research on two-sided payment markets was conducted to help estimating the likelihood of adoption of a CBDC. Toward the end of 2021, the BOC launched a project to explore the potential value proposition of a CBDC for consumers to also ensure Canadians have an opportunity to share their views on this issue.

Engaging with federal institutions and financial sector stakeholders: As part of its preparation, the BOC is working closely with the Department of Finance Canada to consult with: (i) relevant Government of Canada departments; (ii) other federal government agencies; and (iii) a range of financial institutions. This outreach, although still in the early stages, is helping the bank improve its understanding of the broader implications of a CBDC—including for the financial sector.

Contributing to international planning and dialogue: The BOC made important contributions in 2021 to international discussions about CBDCs. It continued its work with a coalition of other central banks and the Bank for International Settlements (BIS) to identify and reflect on the most effective design elements of a CBDC. These discussions led to the publication of three reports on:

- [System design and interoperability](#)
- [User needs and adoption](#)

[Financial stability implications](#)

In addition, this same group of central banks worked with their finance ministry counterparts on the publication of: (i) G7 [statement](#) on CBDCs and digital payments; and (ii) [report](#) laying out 13 shared principles of public policy for CBDCs.

Source: [BOC 2021 Annual Report - Preparing for a Central Bank Digital Currency.](#)

MAIN FINDINGS

A. Pillar I: Transparency in Governance

Legal Structure, Mandate, and Decision-Making

22. The legal structure of the BOC, including its legal nature, mandate, and autonomy, are all well disclosed on the website of the BOC. The extensive transparency of the BOC with respect to its legal structure could be further enhanced by providing details of the limited scope of audits of the BOC by the Auditor General. Also, the website provides no explanation in an easily understandable manner for the public on the scope of the judicial review of BOC actions. Going forward, the disclosure on judicial review will become particularly relevant for the BOC's enforcement powers in the context of its new function regarding supervision of retail payments providers.

23. The BOC publicly discloses and discusses its objectives, functions, and powers. The BOC's objectives, five core functions and powers are all specified in the Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities Act. They are also disclosed on its website and in its Annual Report. The documentation published on the BOC website clearly explains that the *primary* objective of monetary policy is to "preserve the value of money by keeping inflation low, stable and predictable". In other words, price stability prevails over the BOC's other

objectives. While the BOC's public and private law powers are clearly listed in the Bank of Canada Act, it would be useful to provide at the BOC website some overview of these functions and powers, as well as prohibited activities.

24. The BOC clearly discloses the BOC's differing levels of autonomy with respect to its various core functions. The Bank of Canada Act, the Payment Clearing and Settlement Act, the Retail Payment Activities Act and the Financial Administration Act all clarify the BOC's level of autonomy for its core activities. The first three Acts are all available via the BOC website. In addition, the BOC website contains detailed information explaining the varying levels of autonomy the BOC has with respect to its various core functions. The BOC's legal framework and its website clearly disclose the personal autonomy of its officials. While the criteria and procedures for the dismissal of its officials are set out in the Bank of Canada Act, the website does not discuss this important aspect of security of tenure. Also, transparency could be further enhanced by including on the website of the BOC an explanation in general terms of the scope of the officials' legal liability.

25. The BOC publishes comprehensive information on its website about its organizational structure, decision-making bodies (including policymaking, day-to-day management, and internal oversight), committees, organizational structure, and strategic planning. The Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities Act all detail the relevant governance frameworks. The BOC has developed good corporate governance practices, which go beyond, and in practice update, the governance requirements of the Bank of Canada Act. The website describes the Governing Council as the BOC's policy-making body, but this does not seem to accurately reflect the advisory nature of the Council (albeit that it is correctly described in the Annual Report). In addition, the BOC could enhance transparency by publishing an annual synopsis of the topics discussed in its various internal committees (for example in its Annual Report).

Risk Management and Accountability Framework

26. Transparency on risk management could be enhanced, with respect to risk governance. The BOC's risk exposure is comprehensively disclosed, albeit without an explicit reference to a risk appetite statement; it covers four categories of risks mapped to the bank's mandate: (i) financial; (ii) operational; (iii) strategic; and (iv) environmental. The bank places a particular focus on climate-related risks and its role in this context (see Box 1). That said, the disclosures related to risk governance merits a revision to provide for a clear demarcation between "Risk Management" and "Internal Audit" as separate functions as described in the "Three Lines Model" approach. As currently disclosed, the description of risk governance arrangements does not provide for a clear delineation of risk management responsibilities, especially that the BOC currently reflects the Internal Audit function as part of its risk management structure. In addition, while the bank has several frameworks and respective policies for management of various risks, the reference to "Enterprise Risk Management" is an approach more intended for an integrated risk reporting rather than centralized risk management. To further improve transparency in this connection, the BOC could consider:

(i) publishing a risk appetite statement;⁷ and (ii) revising the description of risk governance arrangements to reflect current practices, including by clarifying the position of Internal Audit within this structure.

27. The BOC discloses reasonably sufficient information on its financial activities and position in the annual financial statements. The BOC publishes a complete set of independently audited financial statements as a part of the annual report. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and accompanied by the external auditor's report, which includes an external audit opinion referring to Canadian Generally Accepted Auditing Standards. While financial reporting practices are comprehensive and external audit mechanism is well-established, the BOC Act does not provide for applicable accounting and auditing standards, a gap that needs to be addressed through additional disclosures (see below).

28. Additional disclosures on audit mechanisms are needed. While the Bank of Canada Act provides for joint audit arrangements, transparency could be enhanced by including on the website and in the annual report: (i) the conditions for appointment of external auditors and related eligibility criteria (independence, reputation, experience) as well as the applicable auditing standards. These could be achieved through the establishment and publication of an external audit selection and rotation policy. In addition, references to internal audit as part of the internal accountability arrangements are missing and should be provided, including the role, mandate, approach, and reporting structure of the function as well as a statement of conformance with international standards. The BOC could also consider publishing the charter governing the internal audit function.

29. Transparency on governance and human capital management is comprehensive. The BOC publishes on its website and in the annual report an array of references related to human capital management, including on diversity and inclusion, staff development, recruitment, and retention. In addition, the bank reports annually across a number of dimensions on its employee management practices (i.e., employment equity, pay transparency, multiculturalism, and official languages).

30. The BOC discloses some information about anti-corruption legislation applicable to its staff and decision-makers. The applicable anti-corruption legal framework comprises the Criminal Code, the Financial Administration Act,⁸ and the Conflict of Interest Act. Published information on the website of the BOC makes clear that the relevant provisions of the Criminal Code and Conflict of Interest Act are applicable to employees and directors respectively, albeit without explicit reference to corruption or related offences. However, it is not clear from published information that the Criminal Code applies to the Directors appointed by the Minister of Finance or that the Conflict of Interest Act applies to the Governor and Senior Deputy Governor. Further, the application of the

⁷ We took a note that after the mission to BOC was concluded, the BOC explicitly [labeled](#) Risk Appetite as a separate statement on its website.

⁸ The Financial Administration Act covers provisions on the financial administration of the Government of Canada, establishment, and maintenance of the accounts of Canada and the control of Crown corporations, including provisions on bribery and frauds against the government.

Financial Administration Act to the staff, management, and directors is not disclosed publicly. To avoid uncertainty on the application of the relevant anti-corruption legislation, the BOC should consider setting out explicitly the application without immunities of the relevant laws to its staff, management, and directors, along with sanitized aggregated details of any proceedings and outcomes under these laws.

31. The BOC fully discloses its Code of Business Conduct and Ethics (“COC”) and Code of Business Conduct and Ethics for Directors (“Directors’ Code”). Further, the published policy on Disclosure of Wrongdoing protects the rights of employees to confidentially disclose information concerning wrongdoing in the workplace. However, there is limited public information on the implementation of the codes. The BOC could enhance transparency by providing details on its investigation and sanctioning procedure for the COC and the Directors’ Code. The BOC should also consider publishing aggregated information on investigations conducted and actions taken under the ethics codes and the Disclosure of Wrongdoing policy, as well as highlighting main changes made to the ethics codes upon their annual review.

Communications and Confidentiality

32. The BOC communications department pursues a multi-pronged strategy in supporting transparency and disclosure initiatives of the BOC. The department assures compliance with disclosure mandates under the BOC Act; supports Access to Information requests by searching for requested records, reviews documents given pursuant to requests and provides substantive comments to accompany released documents; initiated an effort to improve communication processes as part of a multi-year communications strategy; develops strategies targeted for communicating with the BOC’s main audiences (press, market participants and the general public); and facilitates tracking of the timing and sequence of BOC policy decisions, publications, statistics, research, speeches, press conferences and interviews.

33. The details for the communication organizational structure are disclosed, but the communications policy, strategic plan and process implementation plan are not. An organization chart is available on the BOC website which makes clear the location of the managing director, deputy managing director and senior director of communications in keeping with the governance structure and reporting to the senior deputy governor. The BOC has also developed a Communication Policy (2018), a Communications Strategic Plan (2019-2021) and Process Implementation Plan (2019-2021). The policy delineates roles and responsibilities for BOC senior executives and sets forth core communication principles. The strategic and implementation plan track recent efforts to develop focused objectives and improve communication processes. These are considered internal documents developed for performance measures and not much deliberation has been undertaken about whether to make the documents public. However, these documents could be disclosed, the communications policy in full and the others, at minimum, in a summary form.

34. The BOC abides by the Access to Information Act’s (ATIA) confidentiality approach, applicable to ‘government institutions,’ but some stakeholders remain uncertain of the parameters of confidentiality. The BOC facilitates requests for information under the ATIA with a

dedicated page on its website. When confidential provisions are at issue and BOC either redacts or withholds documents, it cites the specific provision of the ATIA to support its claim of confidentiality. There is also a subsequent complaint process through Canada's Information Commissioner, but at the end of that process if a stakeholder is dissatisfied, they are left to pursue what can be expensive litigation and a lengthy wait for information that deteriorates in usefulness with the passage of time. Likely owing in part to the expense, no BOC cases have been litigated in recent years, leading to questions regarding the parameters of confidentiality. The BOC should consider drafting a policy outlining the continuum of confidentiality and disclosure, specific to the circumstances of the BOC, and citing supporting historical cases of the treatment of confidentiality and disclosure.

B. Pillars II, III, and IV: Transparency in Policies, Operations, and Outcome

Monetary Policy

35. The BOC monetary policy framework is comprehensive, transparent, and understandable. The BOC publishes extensive details on its policy framework (objectives and instruments), monetary operations, decision-making process, underlying analyses, and forecasts. The key elements of BOC's policy communication framework include the Monetary Policy Report, quarterly press-conferences following interest rate decisions and publication of the MPR, regular speeches by the Governing Council members, semiannual appearances before the House of Commons and Senate, and regular outreach events with the market participants, business groups and academic economists. The BOC has also ventured into the layering of its policy communication,⁹ aiming at relaying key messages to the general public. The explainers at BOC website, The Economy, Plain and Simple portal, and BOC Museum are the main channels used for communication with the general public. The BOC strives to be an avid listener, getting feedback on its policies and operations via different means, including the annual public opinion survey, quarterly lending and business surveys, public consultations, etc.

36. Greater transparency in the policy deliberations and ex-post evaluation would strengthen BOC's interaction with key stakeholders. The external stakeholders unanimously praised BOC for open, transparent, and dynamic policy communication. At the same time, they believe that this transparency would benefit from the disclosure of more detailed information on monetary policy deliberations, especially in time of heightened uncertainty. Furthermore, the disclosure of detailed policy deliberations became a common standard for the central banks around the world in the last decade. To this end, the BOC may consider publishing (either immediately or with some delay) a detailed transcript of policy deliberations by the Governing Council. Without breaching the consensus-based nature of the decision-making process, it could provide the stakeholders with additional information on the policy discussions, containing a summary of non-attributed views of individual members. The BOC could also consider enhancing its communication on ex-post evaluation of the policy decisions, disclosing alternative scenarios, and improving the timeliness and accessibility of published macroeconomic projections. It will allow external

⁹ "Layered" approach to the communications envisages the communication with the different groups of stakeholders with different level of knowledge and understanding of economic concepts using various communication tools.

stakeholders to get a better understanding of the possible range of economic outcomes and the BOC's reaction function.

37. The BOC is proactively communicating on the modifications in its policy mandate.

Every five years the Bank of Canada and the Government of Canada review and renew their agreement on the monetary policy framework. The review provides an opportunity to discuss (and revisit if agreed by both sides) the BOC's monetary policy framework and instruments. In the process of the agreement's renewal in 2021, the BOC openly discussed the alternative policy frameworks, weighing these against the flexible inflation targeting (IT) regime. The BOC also stressed that the flexibility of the IT regime will be used to consider labor market developments, while still primarily focusing on delivering low and stable inflation rate. In our view, following the modification of BOC's mandate to consider broader labor market developments (and the repeated calls for using monetary policy to promote greener economy, tackle income inequality and restrain housing prices' growth), the role of a comprehensive and coherent communication on BOC's core objectives is becoming even more important.

Foreign Exchange and Reserves Management

38. The policy of foreign exchange interventions is transparent and comprehensive. The BOC explains on the website and publications that its rationale to intervene is on a discretionary, rather than systematic, basis and only in exceptional circumstances of short-term market dislocation or extreme movements macro-factors in the Canadian dollar. The intended objectives and the general rules of foreign exchange management are explained. However, their accessibility can be improved, as these are not accessible on the landing page on core functions and policy objectives. Moreover, it would enhance transparency if clear communication on the choice of instruments regarding foreign exchange interventions is included in the policy description.¹⁰

39. The mechanics of foreign exchange interventions and ex-post reports are clear.

The BOC rarely intervenes in foreign exchange markets and in fact has not intervened since September 1998. However, it regularly tests the operational framework and systemic infrastructure to ensure the implementation of FX interventions would be smooth, if needed. This regular systemic testing is a good practice, and it will benefit to enhance credibility and transparency if BOC also includes this information, and that the market complies with market code of conduct and the FX global code.

40. The foreign exchange reserve management is performed by the BOC on behalf of the federal government, though it is involved in various committees. The core elements of the foreign exchange management framework are disclosed on Finance Canada and BOC website. However, it would benefit to enhance the disclosure on foreign exchange reserve management by clearly explaining information on the BOC involvement in various committees and groups, as well as bilateral collaboration that are relevant for foreign reserve and fund management. It would enhance

¹⁰ The BOC conducts foreign reserve management on behalf of the Government of Canada, hence the disclosures on the issues pertaining to FX reserve management need to be coordinated with the government.

transparency if broad context were disclosed to bring clarity of the BOC's involvement and shared responsibility in shaping the foreign reserve management.

Financial Stability and Macroprudential Policies

41. While the BOC does not have the macroprudential policy mandate, its active involvement in the deliberation and formulation of the national macroprudential policy is not entirely transparent. The Minister of Finance is the responsible for macroprudential policy, the prudential authority enforces macroprudential regulations and the BOC provides the underlying analysis and assessment of systemic risk. The Canadian setting has the potential of diffusing the accountability of macroprudential decision-making process and, therefore, enhanced transparency would be warranted. For instance, there is no available information on the activities of the Senior Advisory Committee (SAC), which is the main forum that monitors and advises on macroprudential oversight matters and system-wide crisis prevention measures. Furthermore, the BOC chairs the Heads of Regulatory Agencies Committee that deals with systemic risk surveillance and policy formulation to mitigate systemic risk. Public information on the activities of cross-agencies committees is very limited. While the organization and management of some of these committees are outside the BOC remit, it may consider publishing sanitized information on the discussed items and outcomes, after consulting the parties involved.

42. Based on its broad mandate, the BOC discloses its financial stability policy framework, including objectives, strategy, and instruments. The BOC discloses the conceptual framework underpinning its financial stability policy function and publishes the annual Financial System Review. The FSR discusses the underlying analysis and assessment, which helps the BOC to formulate its financial stability policy. Furthermore, the BOC discloses the tools, such as stress testing, that help identify and prevent financial sector vulnerabilities. The BOC's disclosure framework is mainly channeled through the FSR, research papers and staff notes, targeting mainly specialist audiences. The BOC could actively promote its financial stability messages more broadly to the general public by increasing the frequency of its communication using "plain language" and animation posted on its website and various social media.

43. The BOC periodically discloses its comprehensive assessment of risks to financial stability. It publishes on a regular basis information on its comprehensive assessments of financial vulnerabilities and is transparent on the methods to address systemic risk. It also discloses the design and scope of application of financial stability tools such as market-wide interventions. Recognizing that some analytical papers have been published recently, financial market transparency could be enhanced by publishing ex-post evaluations of whether the implemented measures have achieved the intended effects.

Emergency Liquidity Assistance

44. The BOC discloses its emergency liquidity assistance (ELA) framework. It publishes the scope, objectives, the rules, and procedures for individual financial institutions as well as market-wide liquidity support. In particular, the BOC explains how this liquidity support deviates from standard

monetary operations, including information on eligibility, requirements, amounts, maturity, and financial parameters. It also discloses the intention of market-wide liquidity support to contribute to maintaining market functioning. The BOC has published information on ELA provided to individual institutions that took place during the 1990s. In addition to staff analytical notes, the BOC may consider putting in place a framework that provides information on how and to what extent the market-wide exceptional liquidity support measures contributed to restoring market functioning and the economy more broadly.

Financial Integrity

45. The BOC does not undertake “external” AML/CFT supervision, but it has a detailed framework to mitigate any ML/TF risks arising from its own operations or “internal AML/CFT controls.” No details on the internal controls, their oversight, or resources allocated to the implementation of the framework are disclosed publicly. Publication of an overview of potential ML/TF risks and the corresponding internal AML/CFT controls framework, with appropriate security and confidentiality safeguards will enhance BOC’s transparency framework.

C. Pillar V: Transparency in Official Relations

46. The BOC Act and other banking Acts underpin the relationship between the BOC and the Government of Canada in support of the BOC’s mandates as adviser and provider of dividends, services, and oversight. These Acts, which are communicated on the BOC website or are otherwise disclosed by reference, form the legal basis regarding consultations; BOC services such as loans, advances, deposits, and as fiscal agent; currency design; profit distribution; committees and information exchange; payment oversight; and the management of unclaimed balances.

47. Beyond the disclosure provided through these Acts, there are numerous platforms provided by the BOC for transparency of the relationship with the Government of Canada. The BOC provides transparency of the relationship, policies, terms, instruments and outcomes through its periodic financial statements, joint announcements with the Government of Canada, ad hoc operational and policy reports on services provided, dedicated portions of the BOC website, the Annual Report, and the Financial System Review.

48. The BOC has a representative on a number of multilateral committees, also having representatives from the Department of Finance and other domestic financial agencies; additional disclosure is called for by these committees. These committees have a wide range of purposes, primarily for consultation and exchange of information related to oversight for regulated financial institutions, but also at a macroprudential and financial system level. Beyond the Department of Finance, the committees often include the Office of the Superintendent of Financial Institutions, the Canada Deposit Insurance Corporation, the Financial Consumer Agency, the Canada Mortgage and House Corporation, and the provincial securities commissions, among others. Disclosure by the committees is uneven and could be improved through codification of an agreement on the remit of the committee, and timely release of agendas and post-meeting summaries. The Senior Advisory Committee provides a modest level of disclosure regarding its

protocol and operations. In some cases, informal, multi-lateral coordination outside the committee context is also in need of increased disclosure.

49. The Bank of Canada Act envisions interactions with international organizations, foreign governments, other central banks, and other foreign agencies and the BoC is transparent regarding these relationships. The Bank of Canada Act provides the power for an on-the-ground presence in the form of BOC branches, as well as the power to accept services from or provide services to central banks, the Bank for International Settlements (BIS), the IMF and other international institutions. Related disclosures include a summary of the services offered to various BOC international clients; details on bilateral liquidity swap arrangements; regional initiatives for the Basel Committee, the Financial Stability Board's Regional Consultative Group, and regional and global crisis management groups; participation in international groups such as the IMF and the G20; and multi-lateral oversight arrangements, such as those dedicated to CLS Bank and SwapClear.

50. The BOC has disclosed interactions with private entities, but additional disclosures may be needed. Beyond the more formalized relationships that the BOC has with the Government of Canada, other agencies in the government, and foreign agencies under law, it also has voluntary relationships with private entities. Disclosures have been made in the annual report and financial statement notes regarding participation in the BIS and on the BOC website for involvement in select private industry groups (foreign exchange, fixed income, reference rate). The disclosures regarding industry groups are uneven and could be more balanced. The BOC's relationship with Payments Canada, the operator of Lynx, a systemically important payment system, may warrant further disclosure.

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

The Bank of Canada thanks the International Monetary Fund (IMF) for undertaking its thorough and thoughtful pilot review of the Bank under the new Central Bank Transparency Code (CBTC). We welcome the publication of this final review report by the IMF Mission Team and the associated recommendations.

The IMF's Executive Board approved the CBTC in July 2020. It corresponds to an update of the 1999 Monetary and Financial Policies Transparency Code and is aligned with the recommendations made in 2017 by the Joint Review of the Standards and Codes Initiative. The CBTC consists of five pillars, focused on transparency in governance, policies, operations, outcome of policies and operations, and official relations with government and other agencies.

The Bank is committed to constantly enhancing our transparency. While we regularly assess and evolve our own practices, including importantly through comprehensive reviews of our monetary policy framework every five years, we also respond to feedback from external stakeholders and take into account broader trends in the central banking community. The Bank therefore saw real value in participating in this comprehensive review, benefiting from a dedicated, thorough process led by independent experts that brought together a wide range of the Bank's stakeholders to provide perspectives on our transparency practices.

The Bank is proud of its reputation as a respected, transparent central bank—one that serves as a model for others. We hope that through our participation, other central banks can use these findings to enhance their own transparency and will be encouraged to use the IMF's CBTC and associated transparency review tools.

We also wish to commend the IMF Mission Team for their expertise, professionalism and collaboration in undertaking this review and in meeting with representatives of our Board of Directors, management, staff and external stakeholders (including academics, think tanks, parliamentarians, market participants and journalists). We wish to thank all our stakeholders for being generous with their time and candid in their feedback.

In its report, the IMF recognized that the Bank of Canada sets a high benchmark for transparency and that our practices are broadly aligned with expanded and comprehensive practices, as defined by the CBTC. We were pleased to hear that our stakeholders recognize this and view their central bank as an open, dynamic and transparent public institution.

In particular, the IMF report characterizes the Bank's monetary policy framework as comprehensive, transparent and understandable. It notes that we have long been setting the standard for monetary policy communication—publishing regular information on our policy framework, decisions and operations that is clear and understandable. Our use of novel communication tools and channels as well as our active approach to listening to stakeholders were acknowledged as strengths.

The IMF also recognized the Bank's transparency concerning our large-scale asset purchase programs, noting that we disclosed the reasoning, parameters and expected results and communicated regularly about them through the course of the COVID-19 pandemic.

Outside of monetary policy, the Bank was pleased to see that the IMF report commends us for communicating proactively regarding topical issues such as climate change and newly emerging areas such as a central bank digital currency. It also notes our transparent explanations of how these topics pertain to our legal mandate and objectives.

The IMF noted other highlights:

- The Bank's overall transparency framework has been working well and has proved to be resilient. In particular, the key elements of transparency in the Bank's governance structure are in place.
- The Bank discloses our financial stability policy framework, including objectives, strategy and instruments, as well as a comprehensive assessment of risks to financial stability.
- The Bank's information related to our Emergency Liquidity Assistance and ongoing liquidity provision is comprehensive.

There were several key recommendations for improvement identified by the IMF. The Bank welcomes them and is committed to implementing them. Further detail on implementation plans and timelines is provided in the table below. The Bank was pleased to see that for many of the recommendations, the IMF recognized that effective underlying processes were already in place. These processes simply need to be more adequately demonstrated through transparent communications. The IMF recognized that the Bank has put greater emphasis on disclosure related to its current activities, and less on areas where it has not recently been active (such as foreign exchange [FX] intervention, which it has not conducted since 1998). The IMF also recognized that in areas, such as financial stability policy and FX reserve management, where the Bank's responsibilities are shared with other authorities, decisions on disclosure are also shared.

Bank of Canada Response to Key Recommendations from CBTC Review	
IMF Recommendation	Bank of Canada Response
<p>1. Providing transparency of the judicial review of BOC [Bank of Canada] decisions would benefit from disclosing information on the applicable review mechanisms for the BOC’s enforcement powers vis à vis its new function regarding supervision of retail payments providers.</p>	<p>The Bank fully intends to provide appropriate disclosure and transparency around applicable review mechanisms for the Bank’s payment service provider enforcement powers as the retail payments supervision framework is developed.</p> <p>The <i>Retail Payment Activities Act</i> (RPAA) establishes the legal framework for the Bank to supervise retail payment providers, including the Bank’s scope and powers. The RPAA was approved by Parliament on June 29, 2021, and is expected to come into force in stages.</p> <p>Currently, regulations are being developed and, once finalized, will be published in the <i>Canada Gazette</i>. After the regulations are published, the Bank will issue guidance on specific topics related to the RPAA to further clarify its supervisory expectations.</p> <p>Payment service providers will be required to register with the Bank and then must comply with requirements for operational risk management and safeguarding end-user funds.</p> <p>The federal cabinet will decide how and when each provision of the RPAA will come into force and regulations are issued.</p> <p>For more information on the Bank’s role of supervising payment service providers, see “Retail payments supervision” on the Bank’s website.</p>
<p>2. The disclosure of the risk appetite statement and revised risk governance will boost the transparency of the risk management function.</p>	<p>To further improve transparency related to the Bank’s risk management function, the Bank has recently published its revised risk appetite statement on the Bank’s website.</p> <p>By the end of 2022, the Bank will ensure that the description of its risk governance arrangements accurately reflects current practices, including by clarifying the position of Internal Audit within this structure. To that end, the Bank will publish its Internal Audit Charter, approved by the Board’s Audit and Finance Committee, on the Bank’s website.</p>

<p>3. Transparency of audit mechanisms would benefit from: (i) disclosing an external audit selection and rotation policy, including criteria for eligibility, independence and compliance with international standards; and (ii) clarifying the mandate and reporting structure of the internal audit function, and publishing the charter governing its operations.</p>	<p>The Bank will publish on its website a document describing in detail the selection process for its external auditors. As described in the response to recommendation #2, the Bank will also publish its Internal Audit Charter, approved by the Board's Audit and Finance Committee, on the Bank's website. Both of these documents will be published by the end of 2022.</p>
<p>4. Consider publishing a detailed summary of monetary policy deliberations by the Governing Council, as well as enhancing its communication on ex-post evaluation of the policy decisions, disclosing alternative policy scenarios, and improving the timeliness and accessibility of published macroeconomic projections.</p>	<p>Over the past several years, the Bank has taken a number of steps to provide further transparency about its monetary policy decisions and deliberations. These include:</p> <ul style="list-style-type: none"> • providing a discussion of key issues that were relevant to Governing Council's policy deliberations in the opening statements at <i>Monetary Policy Report</i> (MPR) press conferences. • introducing economic progress report speeches one day after each non-MPR policy decision. These speeches are delivered by members of Governing Council and discuss key issues relevant to policy deliberations. The Governing Council member delivering the speech is also available to the press. • including in the most recent renewal of Canada's monetary policy framework, jointly agreed to by the Bank and the Government of Canada, the Bank's consideration of a broad range of labour market indicators. The Bank will systematically report to Canadians on how labour market outcomes have factored into its monetary policy decisions. <p>The Bank has been actively considering additional mechanisms to enhance transparency around its monetary policy decisions, including the publication of a summary of deliberations after each policy decision. The IMF's consultation with the Bank's stakeholders and resulting recommendation that the Bank</p>

should proceed with publishing such a summary have been very helpful in the Bank's considerations of this matter.

As such, the Bank is committing to publish a summary of monetary policy deliberations after each policy decision, starting in January 2023. These summaries will be published on the Bank's website, with a lag of roughly two weeks following each policy decision.

With respect to enhancing communication on *ex-post* evaluation of policy decisions, the Bank has been focused on reviewing its actions and analysis during the COVID-19 pandemic. In its July 2022 MPR, the Bank published an assessment of the main factors behind inflation forecast errors during the pandemic period. In February 2022, Deputy Governor Tim Lane provided a [backward-looking assessment](#) of the Bank's policy actions and analysis during the pandemic. Bank staff have also published assessments of the impact on market functioning and pricing of some of its asset purchase programs, such as the [Bankers' Acceptance Purchase Facility](#) and [Government of Canada Bond Purchase Program](#).

As the Bank proceeds with further internal work evaluating lessons learned from its pandemic actions, it is committed to being transparent about these evaluations with Canadians.

With respect to disclosing alternative policy scenarios, the Bank has published such scenarios on an ad-hoc basis, most recently in the July 2022 MPR with a risk scenario examining what could happen if a wage-price spiral occurred. The Bank is open to providing such alternative scenarios more regularly as part of its MPRs. But it would retain appropriate flexibility to do so when it makes good sense and when it can help audiences better understand the Bank's reaction function around key risks. The Bank prefers this approach rather than committing to systematically providing such scenarios in each MPR.

Finally, with respect to the timeliness and accessibility of published macroeconomic projections, the Bank is actively seeking ways to make the information underlying its economic

	<p>forecasts more accessible to its audiences. This has included the increasing use of digital charts and tables with accessible, downloadable data. As the Bank develops its MPR into a fully digital product by the end of 2023, improved accessibility and the ability to interact more fully with its projections will be key guiding principles.</p> <p>The Bank also publishes, with a five-year lag, the detailed staff economic projections that are provided to Governing Council in preparation for monetary policy decisions.</p>
<p>5. Promote the BOC’s financial stability messages more broadly to the general public by increasing the frequency of its communication using “plain language.”</p>	<p>The Bank introduced the Financial System (FS) Hub in 2019—a digital magazine-style resource to provide timely, plain language analysis of financial stability issues. Admittedly, during the pandemic, prioritizing frequent financial stability messaging aimed at the general public shifted from the FS Hub to Governing Council speeches and media activities.</p> <p>The Bank remains committed to ensuring that the FS Hub is the first stop for accessible, compelling Bank analysis of financial stability issues in a plain language format. As such, the Bank welcomes this recommendation as a reminder to shift the focus back to the FS Hub. In addition, the Bank is committed to improving how it communicates financial stability content to Canadians through its social media channels. As always, the Bank continually evaluates how its annual <i>Financial System Review</i> meets the needs of its audience, and it plans to review this publication in 2023.</p>
<p>6. Put in place a framework that provides information on how and to what extent financial stability measures, including market-wide exceptional liquidity support, contributed to achieving the BOC’s objectives such as restoring market functioning and the economy more broadly.</p>	<p>The Bank has communicated how various policy measures helped achieve financial stability and broader economic objectives. This communication notably included how market-wide liquidity facilities contributed to the restoration of market functioning at the onset of the pandemic and how large-scale asset purchases supported the economic recovery.</p> <p>This has been done through various speeches, through a recurring section of the MPR about the Bank’s balance sheet and through published staff assessments.</p> <p>As the Bank proceeds with further internal work evaluating</p>

	<p>lessons learned from its pandemic actions, it is committed to being transparent about those evaluations with Canadians.</p> <p>The Bank will consider this recommendation further in terms of whether a more formalized assessment framework is needed to communicate these evaluations.</p>
<p>7. Consider the disclosure of its internal AML/CFT controls with appropriate confidentiality and security safeguards.</p>	<p>The Bank agrees with the recommendation and will publish on its external website its policy on financial crimes and/or a statement about its internal anti-money laundering (AML)/countering the financing of terrorism (CFT) controls framework. This will be done by the end of 2022.</p>
<p>8. Enhance the transparency framework by disclosing more information on the BOC's involvement and its deliberation in various committees and groups, as well as bilateral collaboration with other federal and provincial regulatory authorities that are relevant for financial stability.</p>	<p>The Bank welcomes this recommendation. It endeavours to be transparent with respect to committees related to financial stability that it leads or chairs. For example, the Bank has published terms of reference for both the Heads of Regulatory Agencies (HOA) Committee and Systemic Risk Surveillance Committee, and it recently published the Memorandum of Understanding for the Confidentiality of Information for the HOA Committee.</p> <p>The Bank also chairs several industry groups, such as the Canadian Foreign Exchange Committee, the Canadian Fixed-Income Forum, the Canadian Alternative Reference Rate Working Group, and the Canadian Financial Sector Resiliency Group. Various terms of reference, meeting agendas, minutes and other background information for these groups are published on the Bank's website.</p> <p>The Bank works closely with other federal financial agencies, such as the Department of Finance Canada, the Office of the Superintendent of Financial Institutions, the Canada Deposit Insurance Corporation and the Financial Consumer Agency of Canada, to provide more information on the respective role of each organization and how they work together to support financial stability in Canada.</p> <p>The Bank is committed to seeking ways to further improve transparency, while balancing the sensitivity of information and issues discussed, and respecting the need to have effective forums where consulting and providing advice can occur.</p>

<p>9. Enhance the disclosures on foreign exchange intervention and reserve management by releasing information on the BOC's involvement in various committees and groups, and on the BOC's role in the context of foreign reserve and fund management. In context of FX intervention, clear communication on the rationale for instrument choice would enhance transparency.</p>	<p>The Bank conducts foreign reserve management on behalf of the Government of Canada, according to the government's strategy and policies. Comprehensive information is available on the Department of Finance Canada's website about the government's funds management framework and policies and about the role of the Bank of Canada as fiscal agent.</p> <p>Similarly, the Bank discloses its role with respect to foreign exchange intervention on behalf of the government and makes clear that any intervention is governed by an intervention policy, which the government establishes in close consultation with the Bank.</p> <p>The Bank does not view adding more information on this function a priority, given that:</p> <ul style="list-style-type: none"> • the current policy to intervene is on a discretionary, rather than systematic, basis and only in exceptional circumstances • the Bank last intervened in foreign exchange markets to affect movements in the Canadian dollar in September 1998
<p>10. Improve the accessibility of information on topics such as risk management, monetary policy instruments, the policy on FX interventions, and financial stability research and analysis.</p>	<p>The Bank is committed to constantly seeking ways to improve the accessibility and navigational ease of its website, and it welcomes the suggestions contained in this recommendation.</p> <p>The Bank has also been prioritizing efforts to improve the searchability of its content on the internet, recognizing that many users use internet search tools to find Bank content, rather than coming directly to the website. And it is increasingly using social media platforms to disseminate its content.</p>

Once again, the Bank of Canada sincerely thanks the IMF Mission Team for undertaking this comprehensive review. The Bank places a premium on transparency—both to reinforce our accountability to Canadians and to enhance our effectiveness. To that end, this independent review complements our own internal assessments and forms a welcome part of our ongoing efforts toward continuous improvement in our transparency practices. Having the IMF engage directly with our external stakeholders to get their feedback was extremely valuable. The Bank was reassured that we are seen to set a high standard of transparency. We are committed to implementing the main enhancements recommended by the IMF.

Table 2. Canada: CBT Review—Detailed Review Report for the Bank of Canada	
Central Bank Transparency Code—Detailed Review	
Bank of Canada	
Pillar I—Central Bank Governance	
Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Legal Framework: The Bank of Canada (BOC) discloses on its website and in its Annual Report that it is governed by Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities Act.</p> <p>The Bank of Canada Act provides the objective, functions, and powers of the BOC. The Payment Clearing and Settlement Act comprises the BOC’s oversight and resolution mandates with respect to designated payment, clearing and settlement systems, while the Retail Payment Activities Act contains the BOC’s mandate to supervise payment service providers.</p> <p>The BOC website contains links to these Acts. The Conflict of Interest Act is also applicable to the BOC and can be accessed via the Governance tab of the BOC’s Annual Report.</p> <p>The Annual Report also discloses the BOC’s compliance with the Employment Equity Act. The BOC’s website explains that the BOC is also subject to the Privacy Act, the Access to Information Act, the Official Languages Act and the Canadian Multiculturalism Act. The BOC website does not have links to the last two Acts but does have copies of annual reports on the BOC’s compliance with all of these Acts. These annual reports cover 2016-2017 until 2020-2021 for the Privacy Act, and the Access to Information Act, while the annual reports for the compliance with the remaining two Acts cover 2018-2019 to 2020-2021. The annual reports all start with a section describing the relevance and applicability of all these Acts to the BOC.</p> <p>A recent speech (May 2022) by Senior Deputy Governor Rogers, which is available on the BOC website, clarifies that the Auditor General of Canada has legal authority to investigate and audit some of the BOC’s activities and records. However, the website does not have a discussion of the (limited) scope of audits of the BOC that may be performed by the Auditor General.</p> <p>Legal Nature: The Bank of Canada Act defines the BOC as a body corporate. The website of BOC explains that the BOC is a special type of Crown corporation, owned by the Federal Government, but with considerable independence to carry out its responsibilities. Being a special type of Crown corporation, the Financial Administration Act, Part X, clarifies (Section 85(1)) which of the Act’s Divisions are applicable (or not) to the BOC.</p> <p>Legal Protection: The Bank of Canada Act, the Payment Clearing and Settlement Act and the Retail Payment Activities Act all contain clear provisions limiting the legal liability of Her Majesty, the Minister, any officer, employee or director of the BOC or any person acting under the direction of the Governor for anything done or omitted to be done in good faith in the administration or discharge of any powers or duties under said Acts.</p> <p>The BOC is subject to judicial review. The Payment Clearing and Settlement Act provides that no stay will be granted in case of a designation of a clearing and settlement system (following the opinion of the Governor that such a system could be operated in a manner that poses a</p>

	<p>systemic risk or a payments system risk) or of a directive pending the final disposition of the application. This Act also contains provisions on legal protections for designated FMIs; these are summarized on the website.</p>
Review	<p><i>Expanded</i></p> <p>Legal Framework: The website and the BOC’s Annual Report contain clear information and links to the updated legal framework governing the BOC.</p> <p>The scope of audits of the BOC conducted by the Auditor General—which is an important element of the BOC’s accountability and autonomy—might not be easily understandable for the general public as the details of the scope of such audits are missing on the website.</p> <p>Legal Nature: The legal nature and the ownership of the BOC are disclosed in the BOC’s Annual Report and defined in the Bank of Canada Act and the Financial Administration Act. The latter Act is not, however, accessible via a link on the BOC website (contrary to other applicable Acts).</p> <p>Legal Protection: The BOC is subject to judicial review. However, except for a stipulation clarifying that there is no stay in case of a judicial review of specific BOC decisions detailed in the Payment Clearing and Settlement Act, the BOC website provides no explanation in an easily understandable manner for the general public on the scope of the BOC’s judicial review. Going forward, this lack of a discussion of judicial review on the website would become particularly relevant in the context of the BOC’s enforcement powers in the context of its new function regarding supervision of retail payments providers.</p>
Comments	<p>The BOC’s transparency with respect to its legal structure could be further enhanced by explaining the scope of the BOC judicial review on the BOC website. In particular, the BOC’s new enforcement powers in the context of its supervision of retail payments providers will merit an explanation on the website.</p> <p>In addition, the website could strengthen the discussion of the BOC’s accountability and autonomy by providing details of the scope of audits of the BOC by the Auditor General. Finally, including a link on the BOC website to the Financial Administration Act would further enhance the BOC’s transparency.</p>
Principle 1.2.	<p>Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.</p>
Description	<p>Objectives: The Preamble of the Bank of Canada Act defines the BOC’s objectives to comprise regulating credit and currency “in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.” The website explains that the primary objective of monetary policy is to “preserve the value of money by keeping inflation low, stable and predictable”.</p> <p>With respect to the BOC’s price stability objective, the website discusses the Joint Statement of the Government of Canada and the BOC on the Renewal of the Monetary Policy Framework of December 13, 2021. A PDF copy of this Joint Statement is available on the website and explains that the Government and the BOC have agreed to renew the inflation target. The monetary</p>

policy framework is renewed every five years. The published documentation clarifies that the monetary policy prevails over other objectives (including financial stability).

The BOC website explains that the Payment Clearing and Settlement Act adds the objective of “controlling systemic risk and payments system risk,” while the Retail Payment Activities Act specifies the “safety and reliability of payment services” as an objective while protecting end users from specific risks.

Finally, the website notes that the BOC promotes the economic and financial welfare of Canada by fostering a stable and efficient financial system, which includes banks and credit unions, the financial markets, and clearing and settlement systems; in other words, the BOC has a financial stability objective.

Functions: The core functions of the BOC are: (i) conducting monetary policy; (ii) fostering a stable and efficient financial system; (iii) issuing legal tender banknotes; (iv) funds-management services for the Government of Canada; and (v) supervising payment service providers. These core functions are all stipulated in the Bank of Canada Act, the Payment Clearing and Settlement Act and the Retail Payment Activities Act. The Annual Report and website highlight that retail payments supervision became a new core function of the BOC in 2021. All these functions are discussed and explained on the BOC website and its Annual Report. Other relevant information on its functions is detailed on its website, via speeches and reports.

The BOC website explains how the BOC’s functions are used to address new challenges such as climate change and digitalization. For example, the Financial System hub on the website provides information of the BOC analysis of structural changes that affect the economy—like climate change. Similarly, the website contains information on the BOC’s ongoing work on digital currencies, and on financial technology (fintech).

Powers: The Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities Act contain the BOC’s public and private law powers. The website explains the BOC’s powers under the Payment Clearing and Settlement Act and the Retail Payments Activities Act. In addition, on its website, the BOC details how these powers enable it to exercise its functions to achieve its objectives.

With respect to the powers relating to the BOC’s monetary policy function, the website contains the following documents on the relevant BOC powers: [Statement of Policy Governing the Acquisition and Management of Financial Assets for the Bank of Canada’s Balance Sheet](#), [Bank of Canada Policy for Buying and Selling Securities Under Subsection 18.1\(1\) of the Bank of Canada Act](#), [Framework for Market Operations and Liquidity Provision](#).

As regards the BOC’s financial stability mandate, the website explains that this is implemented by: (i) the provision of central banking services, including liquidity and lender-of-last-resort facilities; (ii) publishing analyses and research; and (iii) helping to develop and implement policy overseeing and acting as the resolution authority for financial market infrastructures (FMIs).

With respect to the BOC’s resolution powers for FMIs, it has published a Guideline on its website which describes how the BOC intends to carry out its main statutory responsibilities as the FMI resolution authority. Specifically, it describes the BOC’s approach to: (i) the preparation for resolution; (ii) initiating resolution; (iii) implementing resolution, including exiting from resolution; and (iv) post resolution responsibilities.

As regards LOLR, the BOC provides [detailed information](#) on its website regarding its various lender of last resort tools, policies and frameworks.

	<p>The Bank of Canada Act clearly articulates the prohibitions which prevent the BOC from conducting specific activities. However, these prohibitions are not discussed on the BOC website.</p> <p>The BOC engages with stakeholders for input into its frameworks. For example, the BOC has established the Retail Payments Advisory Committee as a forum to provide advice and industry expertise to the BOC as it designs and operationalizes its Retail Payments Supervisory Framework. This Committee allows the BOC to gather industry expertise about the retail payment services landscape.</p> <p>Other examples of public consultations by the BOC are: (i) the public outreach as part of the review of the Monetary Policy Framework; (ii) the BOC cooperation with industry groups to achieve its financial system objectives; and (iii) the public consultation of the selection, development and design of new (series of) banknotes (Principles for Bank Note Design).</p> <p>Finally, the BOC publishes on its website the results of public surveys (dating as from February 2018) of the public's awareness, understanding, and trust in the BOC (the BOC also surveyed the public in 1999, 2010, and 2014, but the results are not directly comparable to the more recent surveys as a result of changes to the approach and questionnaire).</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC's objectives, functions and powers are all clearly specified in the Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities. They are also disclosed on its website and in its Annual Report.</p> <p>The documentation published on the BOC website clearly explains that the primary objective of monetary policy is to "preserve the value of money by keeping inflation low, stable and predictable." In other words, price stability prevails over other objectives.</p> <p>While the BOC's public and private law powers are clearly listed in the Bank of Canada Act, these powers and the BOC's prohibited activities are not discussed on the website of the BOC.</p>
Comments	<p>The transparency of the BOC's powers could be enhanced by listing and discussing in general terms the BOC's powers and prohibited activities on the BOC website in a manner that is easily understandable for the public.</p>
Principle 1.3.	<p>Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.</p>
Principle 1.3.1.	<p>Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank's autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, a central bank's governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.</p>
Description	<p>The Bank of Canada Act, the Payment Clearing and Settlement Act, and the Retail Payment Activities Act all clarify the BOC's level of autonomy for its core activities. As earlier noted, the Financial Administration Act defines the BOC as a special type of Crown corporation, owned by the Federal Government, but with considerable autonomy to execute its mandate.</p>

	<p>The BOC’s website is transparent on the composition of the BOC Board and the fact that the Deputy Minister of Finance is an <i>ex officio</i> non-voting member of the Board. Also, the published Terms of Reference for the Executive Committee clarify the membership of this Committee.</p> <p>The website is transparent about the joint responsibility of the Government and the BOC for achieving the inflation target and promoting maximum sustainable employment. The BOC’s website contains information about the BOC’s monetary policy decision-making process, including who participates in policy decision-making. This is complemented by a detailed document on monetary policy decision making, which is published in the Bank of Canada Review, autumn 2013 and is also available on the BoC’s website.</p> <p>The website is clear that the Bank of Canada Act allows the Minister of Finance to issue a written directive to the BOC if the Minister and the Governor disagree on monetary policy (this power has never been used). Also, the Bank of Canada Act gives the Minister of Finance broad authority to “require the auditors to report to the Minister on the adequacy of the procedure adopted by the BOC for the protection of its creditors or shareholders and the sufficiency of their own procedure in auditing the affairs of the BOC, and the Minister may, at his discretion, enlarge or extend the scope of the audit or direct that any other procedure be established or that any other examination be made by the auditors as the public interest may seem to require.”</p> <p>As regards the BOC objective to foster a stable and efficient financial system, the BOC website clarifies that the BOC is not on its own responsible for this, but <i>inter alia</i> “helps to develop and implement policy”. In this respect, the website explains how the BOC cooperates with federal, provincial, and international authorities as well as industry to achieve its financial system objectives.</p> <p>Note that the Department of Finance leads the development of regulations for the retail payment systems’ supervisory framework with support from the BOC.</p> <p>Finally, the BOC website explains that, as per the Bank of Canada Act, “the form and material of the notes of the Bank shall be subject to approval by the Minister [of Finance].” As such, the Minister of Finance is consulted throughout the process of banknote design.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC’s legal framework is fully transparent on the BOC’s level of autonomy for its core activities. Also, the BOC’s legal nature is clear as the Financial Administration Act defines the BOC as a special type of Crown corporation, owned by the federal government, and with considerable autonomy to execute its mandate.</p> <p>The BOC’s website describes the composition of the BOC Board and specifies that the Deputy Minister of Finance is an <i>ex officio</i> non-voting member of the Board. Also, the Terms of Reference for the Executive Committee are published on the website; they clarify that the membership of this Committee.</p> <p>The website acknowledges the joint responsibility of the Government and the BOC for achieving the inflation target and promoting maximum sustainable employment. In this context the BOC’s website contains transparent information about the BOC’s monetary policy decision-making process, including who participates in policy decision-making. This information is complemented by a detailed document on monetary policy decision making (published in the Bank of Canada Review, autumn 2013 and available as a PDF on the website).</p> <p>The website explains that the Bank of Canada Act allows the Minister of Finance to issue a written directive to the BOC if the Minister and the Governor disagree on monetary policy. Also,</p>

	<p>the Bank of Canada Act gives the Minister of Finance broad authority to “require the auditors to report to the Minister on the adequacy of the procedure adopted by the BOC for the protection of its creditors or shareholders and the sufficiency of their own procedure in auditing the affairs of the BOC, and the Minister may, at his discretion, enlarge or extend the scope of the audit or direct that any other procedure be established or that any other examination be made by the auditors as the public interest may seem to require.”</p> <p>The BOC website is transparent about the fact that the BOC’s objective to foster a stable and efficient financial system, is not its own responsibility, but that the BOC inter alia” helps to develop and implement policy.” In this respect, the website explains how the BOC cooperates with the federal, and provincial authorities as well as industry to achieve its financial system objectives.</p> <p>Finally, the BOC website explains that, as per the Bank of Canada Act, “the form and material of the notes of the Bank shall be subject to approval by the Minister [of Finance].”</p>
Comments	The Bank of Canada Act, the Payment Clearing and Settlement Act, the Retail Payment Activities Act and the Financial Administration Act all clarify the BOC’s level of autonomy for its core activities. The first three Acts are all available via the BOC website. In addition, the BOC website contains detailed information explaining the varying levels of autonomy the BOC has with respect to its various core functions.
Principle 1.3.2.	Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	See <i>mutatis mutandis</i> the discussion under Principle 1.3.1 above on the scope of the BOC’s institutional and operational autonomy that clarifies the scope of the BOC’s autonomy with respect to its various core functions.
Review	<i>Comprehensive</i>
	See <i>mutatis mutandis</i> the discussion under Principle 1.3.1 above on the scope of the BOC’s institutional and operational autonomy that clarifies the scope of the BOC’s autonomy with respect to its various core functions.
Comments	
Principle 1.3.3.	Personal Autonomy: Whether there is security of tenure for the members of the central bank’s decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank’s decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.
Description	<p>The website and the Annual Report note that the Bank of Canada Act and the Conflict of Interest Act stipulate the eligibility and disqualification criteria for appointments. This transparency also covers the duration of the appointments of the members of the Board of Directors (three years renewable) by the Governor in Council (i.e., the Cabinet), respectively, those of the Governor and Deputy Governors (seven years renewable). The website notes that the BOC has a Senior Deputy Governor and other Deputy Governors (as allowed by the Bank of Canada Act).</p> <p>The rules on the appointment and dismissal of these officials are also specified in the Bank of Canada Act. The Terms of Reference for the Board of Directors, which are available on the BOC</p>

	<p>website, detail the appointment of the Governor, Senior Deputy Governor, and other Deputy Governors. The Governor, Senior Deputy Governor and Deputy Governors serve for a term of seven years “during good behavior,” a term which is not very clear.</p> <p>The CVs of members of the Board of Directors, the Governor, Senior Deputy Governor, and Deputy Governors are available on the website.</p> <p>Directors are paid within the ranges established under the Remuneration Guidelines for Part-Time Governor-in-Council Employees in Crown Corporations as administered by the Privy Council Office. The amount of their: (i) annual retainers; (ii) <i>per diems</i> for attendance at each Board meeting and Committee meeting of which the Director is a member; and (iii) reimbursement of expenses (the Governor and the Senior Deputy Governor do not receive directors' compensation) are all available on the website.</p> <p>As for the salaries of the Governor and the Senior Deputy Governor, the ranges for the salaries are disclosed on the website (and are within ranges established by the Advisory Committee on Sen or Level Retention and Compensation, subject to the approval of the Governor in Council (the Cabinet). The website clarifies that the salaries of the Governor and the Senior Deputy Governor do not include any performance-based elements (see the BOC's website). The website does not contain details on the remuneration of the other Deputy Governors.</p> <p>The BOC publishes monthly reports on travel and hospitality expenses for the Chief Operating Officer and all members of the BOC's Governing Council and Board of Directors.</p> <p>The website explains that the Board requires its independent directors to follow the Code of Business Conduct and Ethics for Directors (Code of Business Conduct and Ethics for Directors). The separate Code of Business Conduct and Ethics is applicable to BOC staff. The latter explains that the Governor and Senior Deputy Governor, as senior officers of the BOC, are subject to this latter Code (see also 1.6 below).</p> <p>As already noted, the Bank of Canada Act also clarifies that no action lies against Her Majesty, the Minister, any officer, employee or director of the BOC or any person acting under the direction of the Governor for anything done or omitted in good faith in the administration or discharge of any powers or duties the Act. However, the website does not discuss this.</p>
Review	<p><i>Expanded</i></p> <p>The BOC's legal framework, Annual Report and website explain the eligibility and disqualification criteria for the members of the Board, the Governor and Senior Deputy Governor. This transparency also covers the duration of their appointments.</p> <p>The dismissal grounds for the Governor and Deputy Governors are not formulated in a clear manner, while the dismissal criteria and procedures applicable to Board members are not provided for.</p> <p>The CVs of the members of the Board of Directors, the Governor and Senior Deputy Governor are available on the website. Moreover, the website contains detailed information on these officials' remunerations and the applicable Codes of Business Conduct and Ethics (with these Codes being available on the website).</p> <p>Finally, the Bank of Canada Act also discloses the extent of the liability of the BOC, the members of its decision-making bodies and employees for damages caused by any of their acts or omissions. However, the website does not discuss this.</p> <p>Finally, the website does not contain details on the remuneration of the Deputy Governors.</p>

Comments	Transparency of the BOC could be further enhanced by including on the website an explanation in general terms for the benefit of the public regarding the safeguards contributing to the security of tenure governing (including a discussion of the dismissal grounds for the members of the Board, Governor, Senior Deputy Governor, and other Deputy Governors. Also, the website could discuss details on the remuneration of the other Deputy Governors.
Principle 1.3.4.	Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.
Description	<p>The BOC is not subject to the Financial Administration Act (justice.gc.ca), which otherwise would impact a Crown Corporation discretion on financial matters through the appropriation process. As such, the BOC has the operational independence to develop its own budget, subject to approval by the Board.</p> <p>The Bank of Canada Act provides for the financial resources required for the bank to fulfill its mandate, including arrangements regarding its capital (Article 17.1), general and special reserves and profit calculation and distribution (Article 27). The Act also includes explicit rules on monetary financing (Articles 18.i and 18.j). However, the Act is silent on recapitalization rules for the central bank.</p> <p>The financial autonomy is reflected in a three-year Strategic Plan that includes various projections and planned costs/investments; a high level three-year financial outlook is developed and approved by the Board. This financial outlook is aligned with the Strategic Plan. Both the Strategic Plan and the three-year Financial Outlook serve as the basis for the annual workplan (activities) and budget. Neither the three-year financial outlook, nor the annual workplan are published externally. The BOC prepares its own annual budget-financial plan, which is adopted by the banks' Council prior to the commencement of the financial year and communicated to Parliament for information.</p> <p>Reflecting on its 2021 Financial results in the annual report, the BOC provides an overview of the key highlights that should be read in conjunction with the audited financial statements, including on management of the balance sheet, results of operations, and outlook (budget) for the coming year.</p> <p>Disclosures about the bank's capital, statutory and special reserves, investment revaluation reserve, and actuarial gains reserve are detailed in the audited financial statements (Note 16. Equity). The disclosures also include details on retained earnings and the ascertained surplus to be transferred to the Receiver General for Canada consistent the requirements of Article 27 of the Bank of Canada Act. A "Remittance Agreement" with the Minister of Finance is in place to enable the bank to manage its equity requirements with consideration given to the volatility from fair value changes and remeasurements.</p> <ul style="list-style-type: none"> [...] This agreement allows the Bank to withhold from its remittance to the Receiver General for Canada any increase in cumulative net unrealized losses on financial assets that are classified and measured at FVOCI, unrealized remeasurements of the net defined-benefit liability/asset on defined-benefit plans, and other unrealized or non-cash losses arising from changes in accounting standards or legislation. Any decrease in previously withheld cumulative net unrealized non-cash losses is added to the remittance.

Review	<p><i>Expanded</i></p> <p>Financial autonomy of the BOC can be implied from the specific provisions in the Act, the disclosure notes in financial statements, as well as the strategic plan. However, its rationale is not communicated explicitly.</p>
Comments	<p>Transparency could be enhanced if an explicit positioning and description of financial autonomy would be provided under one section on the website, and clearly communicated by explaining the rationale behind the different elements in the legal framework that are reflected in the financial statements. This will be especially beneficial to the general public.</p>
Principle 1.4.	<p>Decision-making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.</p>
Description	<p>Decision-making Bodies: The BOC publishes extensive materials on its website about its organizational structure. Its decision-making bodies cover policymaking, day-to-day management and internal oversight. The BOC website has various webpages dedicated to disclosing its internal management and “who runs the Bank.”</p> <p>The Bank of Canada Act mentions the Board of Directors, Governor, Deputy Governors and an Executive Committee.</p> <p>In addition, the website explains that the BOC also has a Governing Council, and an Executive Council. The Board provides general oversight of the management and administration of the BOC. The BOC has a Lead Director who is, inter alia, responsible for providing leadership to enhance Board effectiveness and leading the Board’s annual self-evaluation. The Terms of Reference governing the roles of these decision-making bodies, and for the Lead Director are available on the website.</p> <p>The website adds that the Governing Council is the policy-making body of the BOC, while the Executive Council charts the strategic direction of the BOC. The description on the website of the role of the Governing Council does not seem to accurately reflect the advisory nature of its role (acknowledging that it is correctly described in the Annual Report).</p> <p>The Bank of Canada Act clarifies that the Governor is the chief executive of the BOC. The website further clarifies the decision-making process for monetary policy.</p> <p>The BOC clarifies in its annual FMI Oversight Activities Annual Report, that the BOC’s Oversight Risk Advisory Committee takes oversight decisions with respect designated FMIs, while the Payment Clearing and Settlement Act empowers the Governor to designate an eligible FMI as being subject to BOC oversight when he/she is of the opinion that the FMI may be operated in such a manner as to pose systemic or payments system risk, and the Minister of Finance is of the opinion that it is in the public interest to designate it as such.</p> <p>The website clarifies that the Governor has the power to determine that an FMI is no longer viable and to issue orders related to resolution actions. Detailed information on decision-making processes, including collaboration with other authorities, is provided on the BOC’s website.</p> <p>The Terms of Reference and details of the decision-making bodies’ meetings are published on a dedicated page on the website. The Board and its committees regularly hold sessions without management or non-independent directors being present. They meet privately on a regular</p>

	<p>basis with the external auditors, the Chief Internal Auditor, the Chief Financial Officer and Chief Accountant, and the Chief Risk Officer.</p> <p>The BOC Annual Report has a dedicated governance section and explains that the Bank of Canada Act provides the legal authority and framework for the governance of the BOC. In addition, the latest Annual Report notes the important governance changes that have arisen during the reporting period (notably the appointment of the Senior Deputy Governor, Deputy Governor, and a new Executive Director).</p> <p>Organizational Structure/Committees: The website contains detailed lists of the BOC's committees, including their composition, mandates and number of annual meetings (most recent information covers 2020). The website includes the Terms of Reference of these committees as PDF files. The website's information includes the Audit and Finance Committee as well as the Executive Committee. The BOC website has a dedicated page on BOC senior management, as well as the BOC's organizational chart. However, the BOC does not disclose the minutes, nor an annual synopsis of the committees' activities.</p> <p>Strategic Planning: The BOC's 2020-2024 Strategic Plan is available on the website. It defines the BOC's goals, priorities (i.e., the specific steps to advance the BOC's goals, the high-level indicators of progress for each goal and the Board of Directors' oversight of the implementation of the Plan).</p>
Review	<p><i>Expanded</i></p> <p>The BOC publishes extensive materials on its website about its organizational structure, decision-making bodies (including policymaking, day-to-day management, and internal oversight), committees, organizational structure and strategic planning.</p> <p>The BOC has developed an approach ensuring good corporate governance, which goes beyond, and in practice updates, the governance requirements of the Bank of Canada Act. The website describes the Governing Council as the BOC's policy-making body, but this does not seem to accurately reflect the advisory nature of the Councils (albeit that it is correctly described in the Annual Report).</p> <p>The BOC does not disclose the minutes, nor an annual synopsis of the activities of the committees.</p>
Comments	<p>Transparency could be enhanced by providing an annual overview/synopsis of the committees' activities in, for example, the Annual Report.</p> <p>The Bank could align the website's description of the Governing Council's role by clarifying its advisory nature as per the Annual Report.</p> <p>Finally, the mention of the Executive Committee's role is not very clear on the website and could be better explained.</p>
Principle 1.5.	Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Principle 1.5.1.	Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	The BOC 2021 Annual Report (Risk Management section) underlines risk management as being central to the bank's decisions and policy-making activities, with the Canadian economy

	<p>continuing to recover from the effects of the pandemic. As such, it provides information on four broad categories of risks assessed and managed by the bank: (i) financial; (ii) operational; (iii) strategic; and (iv) environmental and climate related.</p> <p>A particular focus in the annual report is placed on climate-related risks and the role of the BOC in this sphere. In 2021, the developed a framework that is intended to enable it to comprehensively assess risk exposures associated with climate change and align with the recommendations of the Task Force on Climate-Related Financial Disclosures. The BOC indicates that it will start reporting its climate-related financial risks in 2022.</p> <p>A breakdown and further disclosures on financial risks are provided in the FY 2021 financial statements (Note 3. Financial Instrument and Note 6. Financial Risk Management), which contain detailed information on the level of, and development in, the BOC's exposures to the principal financial risks associated with its financial instruments and operations, including credit, market, and liquidity risks. In addition to particular strategies related to these risks, the disclosure notes include information on mitigations, as well as associated quantified demands on the BOC's financial resources/buffers, and references to methods used for quantification.</p> <p>In addition, the BOC discloses developments related to operational risk exposures, mainly associated with increased volumes of activities in financial market and banking operations, system upgrades, and investments in information technology and heightened cyber risks.</p> <p>Information on the above risk exposures is outlined in a dedicated risk management webpage on the BOC's external website. Risks are mapped to the bank's mandate, and exposures are weighed and managed in light of their potential impact on the BOC's credibility, reputation and capacity to achieve objectives, in conjunction with the Bank's Risk Appetite Statement.</p>
Review	<p><i>Comprehensive</i></p> <p>The central bank's exposures to key risks inherent to the execution of its mandate are clearly disclosed and explained. While references are made to the BOC's risk appetite, and unlike in previous years, neither the annual report nor the website provides an explicit description of the risk appetite statement and respective elements.</p>
Comments	<p>The disclosures underpinning the BOC's risk management function could be enhanced by reinstating the publication of a brief risk appetite statement (on the website and in the annual report) that outlines the bank's stance on risks, and the role of the risk management function in pursuit of the BOC's objectives.</p>
Principle 1.5.2.	<p>Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.</p>
Description	<p>The annual report includes a brief reference that "<i>the bank's risk management framework consists of three lines of defense.</i>" Another reference indicates that the BOC undertook a "<i>comprehensive assessment of the maturity of its enterprise risk management (ERM).</i>" The results are being integrated into a new ERM strategic plan, which will be finalized in 2022."</p> <p>In the new 2022-2024 Strategic Plan, an explicit strategic priority for risk management has been set out, the aim of which is to "integrate comprehensive risk assessments into critical decision-making processes", which entails a more rigorous assessment of risks across the organization.</p>

	<p>The BOC does not have a dedicated webpage for its risk management; the latter is embedded as a reference under Bank of Canada - Governance Documents.</p> <p><i>Risk Management</i></p> <p><i>The management of risks is embedded in the culture and daily practices of all Bank employees. It is also more formally laid out in the Bank's Enterprise Risk Management (ERM) policy which promotes and enables risk-informed decisions in a manner consistent with the Bank's vision, medium-term plan and appetite for risk.</i></p> <p>The BOC indicates that "Enterprise Risk Management" is the approach adopted for management of risks. It also provides an overview of applicable standards, methodologies, and different organizational risk management responsibilities. Relatedly, a distinction is made between "risk governance" and "risk management lines of defense", the latter being described as the "industry standard for effective risk management and governance based on the model of the Institute of Internal Auditors."¹</p> <p><i>Risk Governance:</i></p> <p><i>The Governor, as Chief Executive Officer, has ultimate responsibility for risk management at the Bank, reporting to the Board of Directors. The Senior Deputy Governor and other members of the Executive Council oversee ERM implementation. They also review and approve any changes to the ERM policy, framework and risk appetite statement in consultation with the Board of Directors, the Senior Management Council and the Risk Oversight Committee (ROC)—a subcommittee of the Senior Management Council.</i></p> <p><i>Risk Management Lines of Defense:</i></p> <p><i>[...] The second line of defense sets the standards, provides advice and challenges the first line of defense. It also oversees risk management according to associated policies, frameworks and risk appetites. This line consists of the CRO, the Enterprise Risk Office, the Financial Risk Office and other operational units within the Bank that have risk mitigation among their core functions.</i></p> <p>The mission understands that the "ERM" approach does not systematically mean that all financial and non-financial risks are managed through a single framework; in fact, the BOC has a separate framework for financial risk management and associated policies for management of various risks. The intent of an ERM framework is not to centralize management of risks, but rather provide for an integrated risk reporting.</p>
Review	<p><i>Expanded</i></p> <p>While the BOC includes an overview of risk management information under "Governance documents" it does not provide for easy access and visibility.</p> <p>The disclosures on the risk management framework and governance arrangements do not include a description of the process for identifying financial and non-financial risks, and currently do not reflect existing organizational practices,</p>
<p>¹ This framework was revised in 2020 and no longer known as the "three line of defense" but rather as the "Three Lines Model."</p>	

Comments	<p>The distinction between the “risk governance” and “risk management lines of defense” does not provide for a clear delineation of risk management responsibilities, especially in that the BOC currently reflects the internal audit function as part of its risk management.</p> <p>Disclosures on the risk management framework and governance arrangements should be enhanced through the following:</p> <ul style="list-style-type: none"> • Establishment of a dedicated risk management section on the website of the BOC for better accessibility of related information/disclosures. • Description of various elements of risk management should reflect current practices and organization (i.e., different frameworks, policies, and organizational arrangements). The BOC could also consider publishing the terms of reference of the “Risk Oversight Committee” for further clarity on the governance arrangements. • Revision of the distinction between the “risk governance” and “risk management lines of defense”, including clarifying the position of the internal audit function within this structure.
Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including: (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>Accountability arrangements related to external audit and financial statements are regulated in the Bank of Canada Act and disclosed in the annual report and audited financial statements.</p> <p>The Bank of Canada Act provides for the appointment of “two firms of accountants eligible to be appointed as auditors of a bank to audit the affairs of the bank”. The terms of appointments are staggered according to the provisions in the Act (Article 28).</p> <p>The Act also sets out the statutory deadline for delivery of the annual financial statements to the Minister of Finance (Article 30-2), and prescribes (Article 30-3) that the Minister shall lay the copy of the Annual Report and audited Financial Statements before Parliament on any of the first 21 days that either House of Parliament is sitting after the Minister receives it. Article 30-2.2 of the Act states that a copy of the signed and audited financial statements must then without delay be published in the Canada Gazette. Each year, the Bank publishes the annual financial statements within the statutory deadline. In addition, Articles 29-1 and 29-2 provide for weekly financial information and monthly balance sheet, respectively.</p> <p>The Act is silent about the establishment of a Board Audit Committee, although the bank has an Audit and Finance committee (AFC) of the Board that oversees audit mechanisms, financial reporting, and respective internal controls according to its Terms of Reference published on the BOC’s website.</p> <p>The Act is also silent about the establishment of an internal audit function. The existence of the latter and its compliance with international standards are implied in the BOC’s Risk Management Lines of Defense and the Terms of Reference of the AFC, which contain basic references to the internal audit function (<i>Sections 5.15 – 5.19</i>). In practice, the BOC has an</p>

	independent Internal Audit department, governed by a Board-approved internal audit charter stating compliance with the IIA standards and functional reporting to the AFC.
Review	<p><i>Expanded</i></p> <p>Information disclosed about the external auditors is not clear about the criteria for their appointments and does not provide for assurance on audit quality and independence. While the BOC indicated that the selection of external auditors mainly targets independent audit firms of international repute (rotated every five years), the selection criteria could be established in a dedicated external auditor selection and rotation policy that could be published.</p> <p>Apart from the above brief references to internal audit, there is no explicit section (neither in the annual report nor on the website) that describes the function of internal audit and its mandate as part of the internal accountability arrangements within the BOC. The internal audit charter governing the function, including with respect to its mandate, approach, reporting structure and statements of conformance with international standards is missing (not published).</p>
Comments	<p>Disclosures on the BOC's internal accountability arrangements could be enhanced through:</p> <ul style="list-style-type: none"> • Establishing a dedicated section on the website that describes external and internal audit mechanisms, including the references to international standards underpinning these arrangements. • Adopting an external auditor selection and rotation policy that could be published. • Publishing the internal audit charter.
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank's financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <ul style="list-style-type: none"> • Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.
Description	<p>The annual report includes a complete set of independently audited financial statements. The BOC annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). An external audit opinion accompanies the published financial statements. Publication of the annual financial statements is within the statutory deadline. As also disclosed in the financial statements, external audits are conducted in accordance with Canadian Generally Accepted Auditing Standards.</p> <p>There is no separate/explicit description of the internal audit function. It is only through the terms of reference of the AFC that the BOC indicates conformity of the internal audit function with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. Staff understands that an independent external quality assessment of</p>

	<p>conformance is also performed every five years and an internal assessment is conducted by the function on an annual basis.</p> <p>Audit mechanisms and financial reporting practices are overseen by the Board through the Audit and Finance Committee (AFC). According to its Terms of Reference, the AFC is entrusted with the review of the Bank of Canada’s annual and interim financial statements and the associated audit or review report thereon and: (i) as appropriate, approve the interim financial statements; and (ii) recommend to the Board, as appropriate, the approval of the annual financial statements. The AFC also reviews the audit plan and recommend to the Board the terms of engagement of the external auditors, as well as the related remuneration to be paid.</p>
Review	<p><i>Expanded</i></p> <p>The Bank of Canada Act is silent about the standards governing the external audit and financial reporting. These are only referenced in the audited financial statements.</p> <p>Explicit Information about the internal audit function, its mandate, authority, scope of responsibility, and reporting lines is lacking. In addition, the internal audit charter is not published.</p> <p>While the website and annual report contain information about the AFC, including its terms of reference, composition, and the number of meetings, there are no references to the activities of the AFC during the year.</p>
Comments	<p>Transparency could be enhanced by providing an annual overview/synopsis of the committees’ activities in, for example, the Annual Report.</p> <p><i>See also recommendations under 1.6.1 above.</i></p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>The anti-corruption legal framework applicable to the BOC’s staff, management, and directors comprise the Criminal Code, the Financial Administration Act, and the Conflict of Interest Act. In particular, the Conflict of Interest Act is applicable only to ‘public office holders’, which for the BOC includes the Governor, Senior Deputy Governor, and the other members of the Board of Directors. The BOC’s Code of Business Conduct and Ethics (“COC”) explicitly provides that provisions of the Criminal Code are applicable to all staff and management (including the Governor and Senior Deputy Governor who are subject to the COC). However, the code does not expressly refer to bribery or corruption or provide relevant definitions of the same. Further, since the COC does not refer to the Conflict of Interest Act, there could be some confusion on the application of this legislation to the Governor and Senior Deputy Governor.</p> <p>The Board of Directors appointed by the Minister of Finance are subject to the Conflict of Interest Act. The Code of Business Conduct and Ethics for Directors (“Directors’ Code”) incorporates by reference the Conflict of Interest Act. Further, the provisions on conflicts of interest in the Directors Code are in line with such provisions in the Bank of Canada Act. The Directors’ Code also includes a specific link to the Conflict of Interest Act. However, the Directors’ Code does not indicate that Directors appointed by the Minister of Finance are subject to provisions of the Criminal Code on bribery and corruption.</p>

	<p>No details on the application of the Financial Administration Act to staff or decision-makers have been disclosed publicly.</p> <p>The COC and the Directors' Code are fully disclosed on the website of the Bank of Canada. The COC applies to all employees, contractors, consultants, agents, and staff seconded to the Bank of Canada as well as to the Governor and Senior Deputy Governor as senior officers of the Bank. The COC outlines ethical principles applicable to management and staff and sets out specific provisions with respect to conflicts of interest, hospitality and gifts, external activities, outside employment, offers of employment and transition and post-employment arrangements, insider trading, conduct of personal financial transactions, trading blackout periods, etc. The COC also provides some detail on the internal controls in place by setting out (inter alia) the roles of the Compliance and Ethics Office and the General Counsel in administering the Code. The COC also sets out the available disclosure channels and mechanisms.</p> <p>However, details on implementation of the COC are limited. For instance, details on investigations and sanctioning procedures are not disclosed externally. Further, while the Compliance and Ethics Office provides compliance reports including details on activities of the Office and aggregated data on breaches of the COC to the Board of Directors, no part of the report or any aggregated data on the ongoing administration of the Code is published. While the Annual Report includes a brief description of the Compliance and Ethics Office and on the COC, it does not include any details on the processes and outcomes of the administration of the Code.</p> <p>The Directors' Code is applicable to all Directors appointed to the Board by the Minister of Finance. The Directors' Code sets out detailed provisions including on conflicts of interest and disclosure of material interest, personal financial transactions, and acceptance of gifts, as well as mechanisms to report breaches of the code. It also incorporates by reference the Conflict of Interest Act. Similar to the COC, no information on investigation and sanctioning procedure for breaches of the Directors' Code or on its ongoing implementation is disclosed publicly.</p> <p>Further, the BOC also has a detailed policy on the Disclosure of Wrongdoing. This policy is consistent with the Public Servants Disclosure Protection Act and protects the rights of employees to confidentially disclose information concerning wrongdoing in the workplace without reprisal or retaliation. Details of implementation on the Disclosure of Wrongdoing Policy are not published by the BOC.</p>
Review	<p><i>Expanded</i></p> <p>The BOC discloses some information on the application of relevant anti-corruption legislation (Criminal Code and the Conflict of Interest Act) through references in the COC and the Directors' Code. However, given the scope of the ethics codes, the application of the Criminal Code to the Directors appointed by the Minister of Finance and the application of the Conflict of Interest Act to the Governor and Senior Deputy Governor is not clear from published material. Further, no information on the application of the Financial Administration Act is disclosed publicly. The BOC does not publish any information related to any action taken under applicable anti-corruption legislation.</p> <p>The BOC publishes in full its COC with detailed rules on conflicts of interest, financial disclosures, transitional and post-employment arrangements, etc. The Directors' Code sets out detailed rules on conflicts of interest, personal financial transactions, and acceptance of</p>

	<p>gifts. Further, the BOC's Disclosure of Wrongdoing Policy protects the rights of employees to report wrong-doing in the workplace.</p> <p>However, the COC contains limited information on its actual administration. Details such as the membership of the Compliance and Ethics Office, investigation and sanctioning procedures, and outcomes of breaches of the Code are not published. Further, no mechanism to safeguard independence, ensure accountability and adequacy of the Compliance and Ethics Office is disclosed publicly.</p> <p>Other than the procedure for reporting conflicts of interest and for reporting breaches of the Directors' Code, there is no information on internal controls for implementation of the Code. Similar to the Code of Conduct, procedures and outcomes of administering the Directors' Code are not available publicly.</p>
Comments	<p>The BOC should consider disclosing on its website all relevant anti-corruption legislation applicable to its staff, management and directors with hyperlinks to relevant provisions for ease of access. Further, the BOC could make clear that these legislations apply without immunities. The BOC may also provide aggregated information on any proceedings or actions under applicable anti-corruption legislations.</p> <p>The BOC should consider providing some details on the investigation and sanctioning procedure under the COC and the Directors' Code. For extra clarity, the COC could specify that it is applicable to the Governor, Senior Deputy Governor, and all Deputy Governors. The BOC should also consider providing more details of the ongoing implementation of the COC and the Directors' Code. For instance, the Annual Report may provide a high-level overview of the activities of the Compliance and Ethics Office as well as aggregate anonymized data on the proceedings taken under the COC and the Directors' Code. Alternatively, a synopsis of the continuous administration of the COC and Directors' Code may be published on the website of the BOC. Similar to the COC, the Directors' Code should provide more details on the procedures for administration of the Code.</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>The BOC's website includes a careers section that contains details about: (i) current openings; (ii) partnerships and concrete programs to support diversity and inclusion; and (iii) recruitment programs, including scholarships, internships, and recruitment campaigns. The BOC also published the Diversity & Inclusion Strategy to 2021 with key metrics from the most recent survey in this respect. The strategy is reinforced through the following key messages:</p> <ul style="list-style-type: none"> • [...] The Bank thrives on strong research and analytics, and we recognize the compelling evidence that shows that incorporating diversity and inclusion is not only the right thing to do but also makes good business sense. Central banks increasingly recognize the necessity of leveraging diversity and inclusion; as policy organizations, we must reflect the people we serve if we are to continue to be relevant. • Our belief in diversity and inclusion should be visible every day in how we work with and treat others... Our commitment to these principles should be evident in our programs, policies and practices. <p>The 2021 annual report under the section on "managing the bank" reiterates the bank's focus on people and provides statistics on the Bank's range of initiatives implemented during the year of its first diversity and inclusion strategy. Having been recognized as "one of Canada's</p>

	<p>top 100 employers”, the BOC has also a dedicated webpage providing key highlights, including on recruitment, retention and development, training, and awareness.</p> <p>The 2022-2024 Strategic Plan includes a dedicated section for human capital management “unlocking the potential of our people” emphasizing on <i>how to build a more inclusive culture and empower people to drive change</i>. Among the priorities envisaged to achieve this medium-term plan, the BOC is explicit about its commitment to: (i) greater diversity and inclusion; (ii) accelerate the development of people as the bank prepares for the future; and (iii) build a dynamic and supportive post-pandemic work environment.</p> <p>The BOC Board’s Human Resources Committee is explicit on the accountability mechanism for the BOC’s human capital management. In addition, the BOC reports annually across a number of dimensions of its hiring and employee management practices (Employment Equity, Multiculturalism, Official Languages).</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC publishes on its website and in the annual report an array of references related to the management of its human resources, including on staff development, diversity and inclusion, recruitment, and retention.</p>
Comments	
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>BOC Mandate for Disclosure and Transparency: The BOC is directed to disclose and operate in a transparent manner, as codified in its enabling legislation, the Bank of Canada Act:</p> <ul style="list-style-type: none"> • Section 14(3): Consultations, publication, and report. This provision describes the rather drastic situation whereby the Minister of Finance and the Bank disagree on monetary policy. This situation has not occurred recently so there is no example to set forth of the required disclosure in the <i>Canada Gazette</i> and would likely be accompanied by a press release. • Section 18.1(2): Required publication in the <i>Canada Gazette</i> of a policy established by the Governor for buying and selling securities and any other financial instrument for the purpose of monetary policy <i>Expanded</i> or financial stability. A recent example of such a policy is available on the BOC website from March 2020. • Section 19: Publication in the <i>Canada Gazette</i> if the Governor is of the opinion that there is a severe and unusual stress on a financial market or the financial system. This situation has not occurred recently. • Section 21: Publication of minimum interest rates on loans. A recent example is available for the interest rate is available on the BOC website from April 2022. • Section 28(5), (6): Appointment of auditors, report to the Minister. This situation has not occurred recently.

- Section 29(1), (2): Weekly financial information and monthly balance sheet posted to the BOC website. Here is a recent case of a recent [weekly balance sheet](#) from May 2022 and a recent example of the [monthly balance sheet](#) from April 2022.
- Section 30(2): Financial statements as signed by the Governor or Deputy Governor and chief accountant in the *Canada Gazette* with summary report to the Minister. Here is a recent example of [financial statements for 2021](#) and the [annual report for 2021](#).
- Section 35(2): By-laws, amendments publication in the *Canada Gazette*. An example of this disclosure on the website relates to the BOC [pension plan](#). There may be other cases of publication of by-laws in the Gazette as required under the BoC Act, but those by-laws were not posted to or cross-referenced on the BOC site.

The BOC is also subject to the [Access to Information Act](#), Revised Statutes of Canada 1985 (ATIA, as amended). It applies to records under the control of a 'government institution' such as the BOC. The ATIA is discussed in more detail with regard to the confidentiality provisions provided thereunder (see Principle 1.8). The [BOC website](#) has links to a number of [options](#) available for submitting requests for information, including a [link to an online portal](#) that allows for a direct request under the Access to Information Act for anyone that desires to request a document. Alternatively, a requester can download [a standardized form](#) for submission and submit by mail or compose their own letter.

Although the Executive and Legal Services Department takes the lead in responding to the requests under the ATIA (see Principle 1.8), the Communications Department also plays a number of roles. Similar to other departments, it is often called upon to search for requested records in its area of expertise. The department is also responsible for reviewing documents that are provided (with redactions) to a requester and is also at the ready to respond for comments regarding released documents or to respond to similar follow-up requests.

Organizational Structure: The BOC publishes an [organizational chart](#) which reveals the placement of Communications within the organizational structure of the Bank (reporting to the Senior Deputy Governor) and publishes on the organization chart the senior executives responsible for the communications function (Managing Director, Deputy Managing Director and Senior Director).

Responsibilities and Processes for Communication: The BOC has developed a [Communications Policy 2018](#). However, this document is not publicly disclosed, as it is considered an 'internal document' that was developed for the purpose of internal benefit and measures and not much deliberation has been undertaken about whether to make the document public. The Communications Policy delineates the roles and responsibilities for BOC Communication for senior executives: the Managing Director and the Advisor for Communications (designated as the Advisor and Chief of Staff on the Organization Chart). The policy makes clear the BOC's core communication principles. The Managing Director of Communications is denoted as the official whose primary responsibility is to safeguard the Bank's reputation and its credibility with Canadians and as a result, the Communications Department operates with autonomy in determining who should respond. There is no one spokesperson, per se, that is relied on for providing a quote to support a disclosure, but rather the response is tailored to the individual requester. If the requester is more sophisticated, a subject matter expert at the individual department level might provide a responsive comment. The responsive information is then approved/cleared at a level commensurate with the sensitivity of the topic.

	<p>The BoC has also initiated an effort to improve its communication processes as part of its 2019–2021 Communications Strategic Plan. This effort is focused on the following processes:</p> <ul style="list-style-type: none"> • Development and updating of a dashboard. • Writing and content development for plain language. • Financial stability report production and research. • Implementation of the museum mandate. • Engagement with audiences on social media. • Implementation for The Economy, Plain and Simple. • Renewal process for the inflation-targeting network. • Bank note consultation. • Speech, consultation, and media relations planning. • Talent management. <p>Details on these efforts, which include descriptions of the processes themselves, are also not made publicly available to stakeholders. The process improvement process does not need to be disclosed in its entirety, as some form of summary would be sufficient.</p> <p>The BOC has published documents about its communication processes generally and how they are integrated into its core activities, such as monetary policy:</p> <ul style="list-style-type: none"> • Transparency generally and financial market participants. • Public engagement. • Measurement and evaluation. • Reputational risk (addresses risk in central banks generally including BOC). • Monetary policy (Uncertainty, Communication generally, decision-making). <p>The BOC has on its website a set of principles for external communications by its policymakers and a set of blackout guidelines governing monetary policy.</p> <p>The BOC also follows federal rules on disclosure of travel and hospitality expenses for members of its Board and Executive Council. It also discloses all contracts over \$100,000.00 in a quarterly report.</p>
Review	<p><i>Expanded</i></p> <p>The BoC discloses information on the communications function including placement of the communications function in the organizational structure and senior executives responsible for the communication function. The BOC also discloses information on how its processes are integrated into its core activities. The BOC does not disclose detailed information on communication arrangements, such as internal principles and guidelines and processes for external communication.</p>
Comments	<p>In order to improve transparency around communications responsibilities and processes, further disclosure should be undertaken. The BOC has very good content with its communications policy and its communications process detail that it maintains internally. The communications policy could be disclosed in full given it does not contain sensitive</p>

	information. The process improvement content does not need to be disclosed in its entirety, but some form of summary could be disclosed.
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Communication Objectives and Strategy: As noted previously, the BOC has developed a Communications Policy 2018 that summarizes a general set of core principles for communications policy. In the wake of the development of that policy, the Communications Department drafted a 2019-2021 medium term communication strategy and implementation plan. The strategy and plan were based on four objectives:</p> <ul style="list-style-type: none"> • Raise the public’s awareness of the Bank’s role, policies and actions. • Increase the public’s knowledge of the Bank’s work and the economy. • Strengthen stakeholder engagement in the Bank’s activities. • Do things better. <p>For each of these objectives, the communications department developed detailed, multi-pronged strategies for achievement of the objectives. During 2021, the Communications Department compiled a presentation summarizing the results of the strategy and implementation plan. The policy, strategy, implementation plan and results are all internal documents that have not been publicly disclosed.</p> <p>The BOC’s broader three year strategic plan for 2022-2024 gives a high level view of operations and in one of the plan’s underlying links denotes that one of the BOC’s priorities is to “...increase our accountability and relevance through clear, accessible communications.”</p> <p>Target Audiences (Who?): The BOC has three primary target audiences, with dedicated portions of the BoC website tailored to communicating with each of them:</p> <ul style="list-style-type: none"> • The press with links for media advisories, media contacts, email alerts, news, upcoming events, media activities, speeches and appearances, webcasts and videos, market notices, blackout guidelines and principles for external communication. • Market participants with links for market notices, upcoming events (same as press), about financial markets, market operations and liquidity provision, government securities auctions, calls for tenders and results, selected treasury bill yields, Bank of Canada holdings, Canadian foreign exchange committee, Canadian fixed income forum, Canadian alternative reference rate working group. • The general public with links for: the Economy, plain and simple; Monetary Policy Report; commodity prices; explainers; currency converter; exchange rates; inflation calculator; investment calculator; BoC museum (visit); BoC museum (learn); BoC museum (explore); and financial education resources. <p>Locating Decisions, Publications, Events (When?): The BOC provides guidance on the timing of the release of resources. Dates for policy decisions are published every July for the ensuing year. All publications (interest rate decision, Monetary Policy Report, Financial System Review, Business Outlook Survey) and speeches are advertised in the upcoming events section of the website well in advance media advisories are published in advance containing detailed information on how/when the publication/speech will be published and any related information on media lock-ups or embargos. All speeches and press conferences</p>

	<p>by members of Governing Council are publicly webcast live and posted, and any media interviews conducted by members of Governing Council are advertised before the fact.</p> <p>Cross-cutting and General Interest Focus: The BOC also provides broader and more general summaries of its available outreach and information on operations. A communications and outreach section in the Annual Report summarizes a broad range of communication approaches and provides exemplary social media posts. Priority, ongoing initiatives are highlighted in sharpening our insights. Select speeches linked on the site focus on the process of public engagement and the efforts at building trust across all audiences, as well as efforts to conduct surveys to understand the opinions and the needs of the BOC’s various audiences and their awareness of the bank’s functions. A dedicated stakeholder engagement team facilitates engagement with stakeholders. Breakdowns of information by publication, with particular focus on statistics, and by the research initiatives and priorities of the BOC are also available. A blog is provided by the BOC museum with messaging on varied topics ranging from the green economy to educating youth about the functions of the BOC.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC discloses details on how and by which media it releases information, and the BOC actively promotes this information through announcements, statements, reports, media conferences, news releases, statistics, research, speeches, official information and through Access to Information Act channels. The BOC also actively engages with the public and stakeholders on its communications policy and evaluates its policy through surveys. These engagements are summarized on the website and highlighted in the Annual Report.</p>
Comments	<p>A rethink of the hierarchy of communications section, as presented on the BOC website, is in order. The content appears to have built up over time and some of the media pages could be eliminated or consolidated into a hierarchy under a main landing page for press, market participants and the general public.</p>
Principle 1.8.	<p>Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.</p>
Description	<p>Application of the Legal Framework:</p> <p>Principle 1.7 for communications and disclosure is in contrast to principle 1.8, which addresses those items which cannot be disclosed due to confidentiality or secrecy. The two principles are complementary as information is either free to be disclosed or is considered confidential, which may require select redaction or complete refusal to disclose. The Bank of Canada Act provisions on confidentiality are limited to Section 16 and its related schedule, which requires that any director, officer or employee take an oath or affirmation of fidelity and secrecy. Because of this narrow scope of the provision, there is no underlying policy regarding confidentiality based on the BOC Act.</p> <p>The Access to Information Act (Revised Statutes of Canada, 1985) addresses the protection of confidential information as part of its broader purpose to enhance the accountability and transparency of federal institutions to promote an open and democratic society and to facilitate public debate (Section 2). It applies to records under the control of a ‘government institution’ such as the BOC, which is defined as any department or ministry of state of the Government of Canada or any body or office listed in the Act, as well as Crown corporations, including its wholly-owned subsidiaries and provides for limited exceptions to the right of</p>

access (Sections 2 and 3). The most recent revision and amendment of the ATIA was during 2018.

The BOC has dedicated a portion of its website to the [ATIA](#), which contains a number of [options](#) available for submitting requests for information, including a [link to an online portal](#) that allows for a direct request under the Access to Information Act for anyone that desires to request a document. Alternatively, a requester can download [a standardized form](#) for submission and submit by mail or compose their own letter. When a request comes in, the Access to Information and Privacy (ATIP) office, which is housed within Executive and Legal Services, is the responsible office for reviewing any incoming ATIA request and assigning it to the relevant technical department that likely possesses the record. The responsive documents (if any) are then returned to the ATIP office, which then takes responsibility for redacting documents and determining the legal basis for justifying those redactions.

A sample of an information request was provided (A-2020-00003) for review. In that case, the requester wanted briefing notes for a G-20 meeting prepared for the Governor and Deputy Governor and the responsive document was 44 pages. The response contained confidential information and the BOC redacted that confidential information, citing various provisions of the ATIA as the reasons for non-disclosure (as required under Section 10(1)(b) of the ATIA), as follows:

- [Section 13\(1\)\(a\)](#): Information obtained in confidence from the government of a foreign state or an institution thereof.
- [Section 13\(1\)\(b\)](#): Information obtained in confidence from an international organization of States or an institution thereof.
- [Section 15\(1\)](#): Contains information, the disclosure of which could reasonably be expected to be injurious to the conduct of international affairs, the defence of Canada, or any state allied or associated with Canada.
- [Section 18\(d\)](#): Information the disclosure of which could be expected to be materially injurious to the financial interests of a government institution or to the ability of the Government of Canada to manage the economy of Canada.
- [Section 19\(1\)](#): Disclosure of personal information.
- [Section 20\(1\)\(b\)](#): Confidential financial, commercial, scientific or technical information.
- [Section 20\(1\)\(c\)](#): Information, the disclosure of which could result in material loss or gain.
- [Section 21\(1\)\(a\)](#): Advice or recommendations developed by or for a government institution or a minister of the Crown.
- [Section 21\(1\)\(b\)](#): An account of consultations or deliberations in which directors, officers or employees of a government institution, a minister of the Crown or the staff of a minister participate.

Under Section 10(1)(b) of the ATIA, the BoC must further give notice that the person who made the request has a right to make a 'complaint' to the Information Commissioner (IC) about the refusal. The complaint process is detailed in Section 30, et seq. These provisions are intended to provide a process of investigation by the IC and subsequent negotiation between the IC, the BoC and the requester so as to satisfy the requester regarding the refusal. In the case of the BoC, this process has in all recent cases (for at least the last 15 years) always been

	<p>resolved at this stage and has never reached the next stage, which is litigation. If a requester is not satisfied with the IC's investigation and the subsequent negotiation, litigation becomes an option.</p> <p>According to discussions with stakeholders outside of the BOC and Government of Canada, a requester of information from the BOC who goes through the IC process may still want to challenge a refusal to release information on confidentiality grounds. However, they may not pursue litigation. The cost of litigation for such a case can be prohibitive given the expense of a legal representative familiar with the ATIA. Additionally, by the time a case is resolved through these legal channels, which could be many months, the information requested may no longer be timely, of very little value and not worth pursuing. As a result, these stakeholders are dissatisfied with the present system which relies on the IC complaint process and the litigation option and with what they see as a lack of transparency under the current regime.</p> <p>The BOC publishes an annual report summarizing ATIA activity. The report summarizes the ATIP and the BOC's mandate, including the organizational efforts to address incoming ATIP requests; provides a five years' time series of information requests, their disposition and the number of pages processed; provides a five years' time series of complaints submitted to the Information Commissioner; and a detailed statistical report in the appendices for the annual requests, including a full breakdown of the number of each of the ATIP sections cited as an exemption for the reason that confidentiality is invoked.</p> <p>The BOC is also subject to the Privacy Act (Revised Statutes of Canada, 1985) and discloses essential information for the Act, which addresses right of access to personal information under the control of a government institution such as the BOC. Confidentiality is at issue for those requests regarding senior officials of the BoC. Just as in the case of ATIA, the BOC provides an online information request form and discloses operational details in an annual report. The BOC's Code of Conduct provides additional information on the handling of confidential or sensitive information held by the BOC and related obligations for BOC management and staff.</p> <p>The BOC also discloses a set of Principles for External Communications by Members of the Governing Council which prescribes the means for communication regarding monetary policy operations. The BoC's Blackout Guidelines defines confidentiality for the period of time near the announcement of an interest rate decision.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC publishes the policy and relevant law on confidentiality and secrecy, which is the ATIA. The process for submitting information requests is user-friendly and the BOC transparently provides the reasons for confidentiality consistent with the ATIA, as noted in the given sample provided. Updates to the policy and law in the form of amendments are also published.</p>
Comments	<p>The BOC's process for citation of the reasons or justifications for confidentiality does not provide sufficient detail for stakeholders interested in requesting documents through the ATIA, notwithstanding the available complaint process and the costs and wait times for litigation can be prohibitive. The BOC should consider drafting a policy on confidentiality apart from the mandates under the ATIA, specific to the case of the BOC. The policy should more clearly state the treatment of documents it considers confidential, on a continuum ranging from those that are in all cases confidential to those that are in all cases disclosable and the intermediate points between the two extremes that might require surgical redaction. The BOC should seek input from stakeholders likely to request documents during</p>

	development of this policy. This approach would give guidance to stakeholders that do not have the resources to follow through with litigation to clarify the parameters of confidentiality.
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: <i>The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.</i>
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The BOC discloses the information on its website about the conceptual framework underpinning its monetary policy, including implementation and communication strategies. It is stated there that the objective of monetary policy is to preserve the value of money by keeping inflation low, stable and predictable.</p> <p>The BOC specifies that inflation-control target and flexible exchange rate are two key components of Canada’s monetary policy framework, while the target for the overnight rate is the key policy instrument.</p> <p>BOC website contains several explainers, which describe the key features of flexible inflation-targeting regime, the roles of key policy rate and flexible exchange rate, and the mechanics of monetary policy transmission mechanism.</p> <p>The overview of Canada’s inflation-control strategy is routinely included in Monetary Policy Report , quarterly flagship publication of the Bank of Canada on monetary policy. It briefly describes the policy framework and tools, the role of communications, and the details on the inflation indicators which are monitored by the BOC.</p> <p>In the quarterly press conference Opening Statements, the Governor highlights how policy decisions transmit into the markets and economy and thus contribute to the achievement of inflation targets.</p> <p>Every five years (since 1991), the Bank of Canada and the Government of Canada review and renew the agreement on Canada’s monetary policy framework. There is a special section on this Agreement on BOC’s website. It includes the information on latest and all previous consultations with the Government on framework renewal, such as joint statement by the Government and Bank of Canada, the report, discussing the details of the agreement, and ad-hoc background documents.</p> <p>The latest report on Monetary Policy Framework Renewal, published in December 2021, presents the comprehensive analysis of BOC’s experience in implementing IT regime, as well as a detailed discussion of alternative policy frameworks. The report also outlines BOC’s plans for strengthening the conduct of the monetary policy. The BOC stresses in the report that it will leverage on the flexibility of inflation-targeting framework and will take into consideration a broader range of labor market indicators to actively seek the level of maximum sustainable employment needed to keep inflation on target.</p>
Review	<p><i>Comprehensive</i></p> <p>The Bank of Canada discloses comprehensive information on its policy framework including objectives, policy instruments, role of communications etc. Through different means the BOC</p>

	<p>also ensures that the stakeholders are provided with information on how policy decisions and implementation framework are connected to the policy outcomes.</p> <p>The special section of BOC's website on monetary policy contains all necessary information. The BOC actively uses speeches by the Governing Council Members to outline the key features of Canada's monetary policy framework to different groups of stakeholders.</p> <p>The BOC also publishes explainers on its website, which are written in the plain language, provide relevant real-life examples and thus accessible to the general public.</p> <p>The BOC provides all relevant information on 5-year framework renewal agreement between the BOC and the Government of Canada, including the detailed report on the discussions. In the latest round of framework renewal discussion in 2021, the BOC explicitly noted that the flexibility of the IT regime will be used to consider labor market developments.</p>
Comments	<p>The BOC is proactively communicating on its policy mandate and framework and should continue to regularly engage with the external stakeholders on these issues. Following the modification of BOC's mandate to consider broader labor market developments (as well as the calls to further broaden the mandate to include the objectives such as full employment, accounting for climate change and housing market developments), the role of comprehensive and coherent communication on BOC's core objectives is becoming even more important.</p>
Principle 2.1.2.	<p>Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The BOC discloses its policy decisions at eight fixed announcement dates per year, and the disclosure comes at 10:00 am the next day after the decision-making process is completed. The calendar for interest rate decisions for the next year is published in the summer of the previous year.</p> <p>A detailed description of the decision-making process is available on the BOC's website. All steps of the process, involved parties and resources used are articulated. The BOC is clear that its policy decision-making body is the Governing Council and they make decisions by consensus, not votes. The role and composition of an advisory Monetary Policy Review Committee is disclosed.</p> <p>The BOC explains its monetary policy decisions in the context of its objectives via the quarterly press conference opening statements, MPRs (published the same day when the decision is announced), and certain speeches called Economic Progress Report (these are delivered by the member of the Governing Council a day after the policy rate decisions that do not have an accompanying MPR).</p> <p>The BOC provides regular venues for the media to ask questions – there are press conferences after each Monetary Policy Report, EPR speech and all speeches by the Governor. In total, this averages 15–20 press conferences per year.</p> <p>Opening statements and EPR speeches provide an account of policy deliberations, identifying the key factors that influenced the deliberations.</p> <p>In addition to MPR, the BOC quarterly releases (one week before the interest rate decision) three other publications – Business Outlook Survey, the Canadian Survey of Consumer Expectations, and Senior Loan Officer Survey, which are used by the BOC in the decision-</p>

	<p>making process and provide the summary views of the businesses and financial institutions on the economic conditions.</p> <p>The BOC doesn't disclose the individual views of the GC members (as the decisions are made by consensus) and, according to the Principles for External Communications, the members of the Governing Council do not share personal views, nor do they provide details of the policy deliberations beyond what has been published in the Governor's opening statements.</p> <p>The BOC has occasionally used state-contingent forward guidance on the future interest rate path. First experience with the forward guidance came in the aftermath of the Global Financial Crisis, while in 2020 as the Canadian economy was severely hit by the pandemics, BOC committed to hold the key policy rate at the effective lower bound until the economic slack is observed. This forward guidance was removed in early 2022, while the BOC recently became increasingly explicit that the interest rates will have to rise further to bring inflation back to the target</p>
Review	<p><i>Expanded</i></p> <p>The Bank of Canada provides timely and comprehensive information on its policy decision-making process. It is fully clear who, when and how makes monetary policy decisions. The decisions are disclosed in a timely manner and accompanied by press conferences or speeches by the members of the Governing Council.</p> <p>The information on policy deliberations is revealed in the Opening Statements, though neither individual votes nor non-attributed opinions are disclosed.</p> <p>The BOC used extraordinary state-contingent forward guidance on the interest rates few times but stops short of publishing interest rate projection path.</p>
Comments	<p>Most of BOC's external stakeholders believe that the transparency of BOC's policy decisions and actions, especially in the times of heightened uncertainty, will benefit from the disclosure of more elaborated policy deliberations. Furthermore, the disclosure of detailed policy deliberations became a common standard for the central banks around the world in the last decade. Hence, we suggest BOC consider starting the publication (either immediately or with some time lag) of a detailed transcript of policy deliberations by the Governing Council.</p> <p>Given the consensus-based nature of the decision-making process, it could provide a summary of non-attributed views of GC members, without formal voting process and thus without revealing individual voting preferences.</p> <p>The BOC could also think about disclosing the calendar of next year's interest rate announcement dates at least nine months before the start of the year.</p>
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>The BOC publishes a wide range of relevant data and analysis underlying its policy decisions. This is done via the quarterly Monetary Policy Report, Economic Progress Report, data tables, selected staff analysis, research papers on monetary policy and other topics.</p> <p>MPR is a key communication tool on bank's economic analyses and forecasts. It presents the detailed overview of the global economic trends and its impact on the Canadian economy. The discussion of all key economic indicators (GDP, inflation, external balance) is included in</p>

	<p>the MPR. The special analyses (in the form of text boxes), addressing topics, which are most relevant at the moment, are also regularly published in the report.</p> <p>BOC staff regularly publishes Staff Analytical Notes, which explore different aspects related to monetary policy and relevant for the decision-makers. Most of these notes emanate from the internal analyses, prepared for the discussions at MPRC meetings.</p> <p>The BOC's macroeconomic forecasts are published quarterly alongside the policy decisions via the MPR. With a five-year lag, the BOC publishes detailed staff forecasts which served as inputs into Governing Council's monetary policy decisions.</p> <p>The BOC does not routinely disclose the alternative policy scenarios, normally presenting only the baseline macroeconomic forecast, its key assumptions and main risks. But in the times of heightened uncertainty, the BOC publishes scenario analyses to highlight key risks to the outlook (for example, see page 31 of July 2020 Monetary Policy Report).</p> <p>Details on relevant models for forecasting are available and regularly updated on the BOC's website.</p>
Review	<p><i>Comprehensive</i></p> <p>The Bank of Canada has the comprehensive and coherent framework of the analytical and research documents, which provide all necessary background information used in the monetary policy decision-making process. In particular, the flagship MPR publication summarizes BOC's views on the global and domestic economic developments, macroeconomic projections and their effect on monetary policy decisions. Moreover, the link between macroeconomic forecasts and policy decisions is well-established in the opening statements by the Governor, which follow interest rate decisions.</p> <p>At the same time, in the contrast to a lot of other central banks, the BOC does not immediately disclose the full set of the macroeconomic forecasts (beyond the key indicators like GDP growth (and its breakdown by the contribution of expenditure components) and CPI), neither as an annex in MPR nor separately on the website.</p> <p>The BOC discloses and clearly describes economic models used for the forecasting and analysis, while BOC's staff publishes a lot of analytical and research notes, which underpin policy decision-making process.</p>
Comments	<p>Despite the impressive analytical and research framework established by the BOC in the last two decades, in the times of heightened uncertainty and elevated risks the Bank could consider (on the discretionary or regular basis) the publication of the alternative policy scenarios, which supplement the baseline scenario. It will allow external stakeholders to get a better understanding of the possible range of economic outcomes and the Bank's policy reactions.</p> <p>The Bank could also think about disclosing immediately the set of the macroeconomic forecasts (in the accessible form), while shortening the lag for publishing the rest of the economic projections, which might be market sensitive.</p>
Principle 2.2.	<p><i>Cross-Border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</i></p>

Description	The BOC does not control cross-border financial flows or foreign exchange administration. Canada has a flexible exchange rate regime and free financial flows.
Review	Not Applicable
Comments	
Principle 2.3.	Foreign Exchange Management: <i>The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.</i>
Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>The Bank of Canada Act under Article 18 and the preamble to the Act makes clear the legal framework for the foreign exchange management by the BOC. The preamble states:</p> <p><i>“WHEREAS it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.”</i></p> <p>The BOC’s monetary policy framework consists of an explicit medium-term inflation target, coupled with a de jure exchange arrangement of freely floating exchange rate regime explained on the Monetary Policy website landing page. However, the BOC does have a policy for foreign exchange intervention established in consultation with government of Canada, and any intervention is conducted by the BOC, acting as agent for the federal government, using the government’s holdings in the Exchange Fund Account (EFA).</p> <p>The current policy to intervene is on a discretionary, rather than systematic, basis and only in exceptional circumstances of short-term market dislocation or extreme macro-factors in the Canadian dollar. The policy describes the reasons why the BOC might intervene, the intended objectives and the general rules of the of foreign exchange management.</p> <p>The BOC occasionally also intervenes as part of the concerted intervention with authorities in Europe, Japan, the United Kingdom, and the United States to counter excessive market movement, last such participation was in March 2011 following the earthquake in Japan to counter excessively strong yen. These concerted interventions when they occur are explained with joint press release statement on the BOC website.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC comprehensively discloses the framework, including the objectives and principles, of its FX management system.</p>
Comments	
Principle 2.3.2.	Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of

	reaching a decision. The potential impact of its policy decisions is explained in a timely manner.
Description	<p>The mechanic of the BOC's foreign exchange intervention policy is explained on the within the Statistics tab on the website. The major participants in the decision-making process are the Governing Council, the Monetary Policy Review Committee (MPRC) at the Bank, and in close consultation with government of Canada in extreme circumstances.</p> <p>The intervention policy though has not been used since September 1998 and BOC is among the few central banks that did not intervene in the Canadian dollar market even during the global financial crisis and the recent COVID-19 pandemic.</p> <p>The intervention is announced on the BOC's webpage where announcement of any intervention action would be disclosed as it is happening. If intervention were to occur, the BOC would disclose why it was intervening, as per its intervention policy. Amounts related to intervention would be disclosed be reported in the Government of Canada's monthly Official International Reserves publication.</p> <p>If the BOC were to intervene, give its unusualness, it would explain the action in a timely manner and is among a few rare interveners that discloses this at intervention time. It also explains the rationale, how it may interact with monetary policy objectives, and tools used to do the intervention via the webpage.</p>
Review	<i>Expanded</i>
Comments	Though the policy is clearly explained, accessibility can be improved. It is not easily available on the main landing page for core functions and policy objectives and is several clicks away within the Statistics tab. The hyperlink to the policy statement on foreign exchange interventions should be available on the functions and policy objectives page.
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	<p>The BOC commits to promptly disclosing the rationale and economic analysis backing its intervention decisions in a statement published on its website. Any analysis backing intervention would be disclosed in short order after the action. and any changes to operational mechanisms and transmission of foreign exchange intervention policy.</p> <p>Ex-post evaluation of the impact of foreign exchange intervention policy would occur in a speech or statement by a member of Governing Council and in the annual report.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC discloses the analytical rationale behind its FX management framework and, in case of conducted FXI, provides the comprehensive information to support any intervention decision.</p>
Comments	
Principle 2.4.	Foreign Exchange Reserve Management: The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.

Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	<p>The objectives of foreign reserves management are to provide foreign-currency liquidity to the Government, support intervention to aid in the control and protection of the external value of the Canadian dollar and promote orderly conditions for the dollar in the foreign exchange markets, if required.</p> <p>The responsibility for strategic planning and the operational management of the federal government's financial assets and liabilities is jointly borne by the Department of Finance and the Bank of Canada (as fiscal agent of the government).</p> <p>The governance framework with the memorandum of understanding establishes a Funds Management Committee (FMC) to advise the Minister on broad policy parameters and strategy, to oversee the implementation of approved policy and plans and to receive reports on performance outcomes covering foreign exchange reserves and risk control.</p> <p>The Department of Finance is responsible for formulating funds management policy and strategy, submitting policy advice to the Minister, and for the preparation and publishing of official reports on funds management (e.g., the <i>Debt Management Report</i>, and the <i>Report on the Management of Canada's Official International Reserves</i>).</p> <p>The BOC conducts foreign exchange reserve management on behalf of the Government of Canada, as per the Government's Foreign Exchange Reserve strategy and policies.</p>
Review	Not Applicable ²
Comments	The disclosures on foreign exchange reserve management can be enhanced if information on BOC's involvement in various committees and groups, and on its role in context of foreign reserve and fund management is clearly explained.
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	See 2.4.1
Review	Not Applicable
Comments	
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and assessment process related to its policy decisions.
Description	The BOC publishes regular supporting analysis with respect to the management of the Government of Canada's foreign reserves.
Review	Not Applicable
² The BOC conducts FX reserve management on behalf of the Government of Canada. Hence, while the description of BOC's transparency practices and involvement regarding objectives, operations and outcomes are provided, the principle has not been reviewed against range of practices.	

Comments	
Principle 2.5.	Macprudential: <i>The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.</i>
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>The BOC does not have responsibility for macroprudential policy. It is the responsibility of the Department of Finance. The Minister of Finance, through the Financial Administration Act (FAA), has the overall responsibility for macroprudential policy in Canada. Macroprudential policy elaboration is coordinated within the Senior Advisory Committee, chaired by the Deputy Minister of Finance. It supports the provision of advice to the Minister on financial sector policy issues, including macroprudential oversight matters and system-wide crisis prevention measures. The members of SAC include the most senior officials of the Department of Finance, the BOC, Office of the Superintendent of Financial Institutions, Canada Deposit Insurance Corporation, and Financial Consumer Agency of Canada. When appropriate, other government agencies are invited to these discussions (for example, Canada Mortgage and Housing Corporation to discuss housing-sector-specific issues).</p> <p>SAC does not publicly issue records of its meetings.</p> <p>https://www.osfi-bsif.gc.ca/Documents/WET3/FinSystem/eng/FinSystem-Infographic_eng.pdf</p> <p>From a macroprudential policy perspective, the BOC discloses its involvement in SAC, which meets approximately every quarter, and the committee has engaged more often and tasked new research and advice when possible financial stability events have emanated. Financial stability and macroprudential actions are taken by federal financial sector agencies as needed.</p> <p>The BOC also discloses its participation in the Financial Institutions Supervisory Committee (FISC), chaired by the Superintendent of OSFI, which is the main forum through which OSFI, the Department of Finance, the BOC and CDIC, share and discuss information on individual financial institutions and coordinate intervention with respect to troubled financial institutions. The FISC serves to identify vulnerabilities and risks related to individual financial institutions, as well as issues affecting broader financial stability.</p> <p>https://www.bankofcanada.ca/core-functions/financial-system/financial-system-committees/</p> <p>Furthermore, the BOC discloses that it chairs the Heads of Regulatory Agencies (HoA) Committee, which is an important federal-provincial forum for cooperation on financial sector issues. The HoA brings together the Department of Finance, OSFI, as well as provincial securities market regulators. In late 2019, the HoA created the Systemic Risk Surveillance Committee to collaborate and share information on the assessment of systemic risk in the financial system. The SRSC includes all agencies that participate in HoA plus the Canada Mortgage and Housing Corporation, Financial Services Regulatory Authority of Ontario and BC Financial Services Authority. The group's work also contributes to the BOC's assessment of the financial system that is published in the <i>Financial System Review</i>, including housing market, digital currencies, market liquidity, cyber resilience, etc.</p> <p>https://www.bankofcanada.ca/2021/05/financial-system-review-2021/</p>

	<p>While the BOC lacks the mandate for macroprudential policy, it is actively involved in fostering a stable and efficient financial system as part of its broader mandate to promoting the economic and financial welfare of Canada. It does this by:</p> <ul style="list-style-type: none"> • Providing central banking services, including liquidity and lender-of-last-resort facilities. • Overseeing and acting as the resolution authority for critical financial market infrastructure. • Conducting and publishing analyses and research. • Helping to develop and implement policy. <p>This information is disclosed on the BOC website: https://www.bankofcanada.ca/core-functions/financial-system/</p> <p>The BOC also has a webpage called the Financial System Research Centre, which showcases our latest financial stability research and analysis, conferences and partnerships with researchers outside the BOC. https://www.bankofcanada.ca/research/financial-system-research-centre/</p> <p>The BOC also arranges regular Macrofinancial conferences. https://www.bankofcanada.ca/2021/05/4th-bank-of-canada-fsrc-macro-finance-conference/</p>
Review	<p><i>Expanded</i></p> <p>While the BOC does not have a clear mandate for macroprudential policy, it discloses that it relies on its broad mandate for the well-being of Canadians, its involvement in financial surveillance to identify the buildup of risks to the financial system, as well as to undertake adequate measures. In this context, the BOC discloses its financial stability objectives, instruments, and strategy for achieving the objectives that are within its remit. It discloses the conceptual framework underpinning its actions to ensure financial stability.</p>
Comments	<p>While the BOC is transparent on its participation in national committees and groups on macroprudential and financial stability, it could further enhance its transparency framework by publishing additional information on its active involvement in these fora. While the organization and management of some committees, such as the SAC and FISC, are outside the remit of the BOC, it could publish sanitized information on the discussed items and outcomes after consulting the parties involved. Furthermore, the BOC could publish more details on the HoA and its subcommittees for which it chairs, including meeting agenda items, sanitized minutes and outcomes of the discussions while maintaining confidentiality, when required.</p> <p>In addition, the BOC should provide additional information on bilateral collaboration and cooperation with other federal and provincial regulatory authorities that are relevant for financial stability. Moreover, the BOC could disclose when it is consulted by other regulatory bodies for the development and issuance of macroprudential tools by publishing its delivered opinion or summarizing it.</p> <p>The BOC discloses ample information on its financial stability policy, through the FSR, research papers and staff notes, which are mainly directed to specialist audiences. In order to reach out to “unfamiliar” audience with financial stability, the BOC may consider</p>

	complementing it by having simplified and shorter descriptions of its messages in plain language and animation to be posted on its website and various social media.
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner and discloses the decision-making process leading up to macroprudential action.
Description	<p>The issuance of macroprudential regulation or regulation designed to strengthen the resilience of the financial system as a whole is the responsibility of the Minister of Finance, with advice from the BOC, OSFI, CDIC, and other federal and provincial agencies.</p> <p>While the BOC does not have a formal macroprudential policy, it takes actions, within its remit, aimed at strengthening financial stability and the well-functioning of the market. Financial stability policy decisions taken by the BOC are communicated in a timely manner to the public through reports, press releases and statements. For instance, during the pandemic, the BOC undertook actions to weather the severe impact on the economy, including supporting the flow of credit to households and businesses by:</p> <ul style="list-style-type: none"> • Lowering the policy rate to 0.25 percent. • Supporting the flow of credit to households and businesses. • Strengthening the transmission of monetary policy so that lower policy rates can be passed through to borrowers. <p>https://www.bankofcanada.ca/2020/05/financial-system-review-2020/#Introduction</p> <p>The BOC also publishes an annual FSR outlining the main risks and vulnerabilities in the Canadian financial system and the decisions that are taken in this regard by the BOC. The BOC also dedicates at least one public speech per year to update its views on the health of the financial system.</p> <p>The coordination between the BOC and other regulatory authorities that are members of the SAC and HoA takes place during the regular meetings of these fora. The deliberations of the SAC and HoA are generally communicated publicly, although not the same day when decision is made. The BOC's staff is actively involved in preparing the meetings of these fora by proposing subjects to be discussed and preparing the supporting documentation for the BOC's participation.</p> <p>However, there is no published information on the BOC' activities within these committees and groups. Furthermore, the BOC is consulted directly or within the context of introducing macroprudential measures. For instance, OSFI and other agencies consulted the BOC on subjects that are related to macroprudential and financial stability, such as, whether credit growth is excessive, leading to the buildup of system-wide risks, and the need to introduce a countercyclical buffer requirement.</p> <p>Based on discussions with stakeholders, it seems BOC decisions to introduce some specific instruments are not always been clear whether the aim is to achieve monetary policy or financial stability policy objectives.</p>
Review	<p><i>Expanded</i></p> <p>Decisions that affect financial stability that are within the remit of the BOC are communicated to the public through reports, press releases and statements. The disclosure of the decision-</p>

	making process of macroprudential policy that is collaborated with other authorities is mainly absent on the BOC website.
Comments	<p>The BOC may consider increasing the frequency of disclosing the manner in which the BOC takes decisions that affect financial stability. In particular, it may disclose its assessment of potential vulnerabilities and provide justification in the event it did not take mitigating policy actions. It should also provide a comprehensive account of policy within a reasonable amount of time, disclosing how decisions (e.g., voting records) about the level of its financial stability policy tools are taken.</p> <p>While the macroprudential decision making is the privilege of the MOF and other regulatory agencies, the BOC may consider disclosing more information on the decision-making process in which the BOC is involved, and how it leads up to macroprudential action, to the extent the BOC has the freedom to do so, after consultation with other committees' members. This information should be timely and easily accessible on the BOC website.</p>
Principle 2.5.3.	Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.
Description	<p>The BOC undertakes analysis and research in several areas of financial stability, including how to mitigate systemic risk and procyclical behavior in the financial system; what is required to keep core funding markets continuously open; and models to stress test the Canadian financial system and gain insights into its functioning. Furthermore, the BOC analyzes structural changes that affect the economy, like climate change, as these changes could increase vulnerabilities to the financial system.</p> <p>https://www.bankofcanada.ca/core-functions/financial-system/</p> <p>Moreover, the BOC states that, as part of its financial stability competencies, it prepares analyses that are needed to formulate a macrofinancial policy relying on accessible data, research, analytical tools, a continuous review of international experience and best practices.</p> <p>In general terms, the BOC monitors and assesses the financial situation and decisions of financial sector agents (households, firms, and government) and components (intermediaries, markets, and infrastructures), as well as the interconnections between the two.</p> <p>The assessment of the financial systems is published annually in its FSR and placed regular analysis on its Financial System Hub.</p> <p>The BOC conducts a Financial System Survey twice a year to solicit the opinions of senior experts who specialize in risk management of the financial system. These experts provide their views on the risks to, and resilience of, the Canadian financial system as well as on emerging trends in financial products and practices. The survey results are a useful benchmark to compare BOC views and analytical work with outside opinions. The BOC staff also use these results to identify new topics for research and analysis.</p> <p>https://www.bankofcanada.ca/2021/11/financial-system-survey-highlights-autumn-2021/</p>
Review	<p><i>Comprehensive</i></p> <p>The central bank publishes ex post evaluations of policy actions that examine whether tools had the intended effects.</p>

Comments	The BOC should periodically publish key indicators, such as early warning indicators, and explain how they relate to the need for financial stability policy action.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>The BOC discloses the scope and objectives of its specific tool Emergency Lending Assistance or ELA that is used in recovery and resolution cases involving eligible financial institutions or financial market infrastructures (FMI). ELA is intended to be drawn on an extraordinary basis.</p> <p>The BOC discloses that ELA policy was revised in 2015, incorporating four main updates here. The revised policy: (i) replaced the requirement for a financial institution's solvency with the requirement for a credible recovery and resolution framework; (ii) expanded the range of eligible collateral to include mortgages; (iii) clarified the eligibility requirements for provincially regulated financial institutions; and (iv) clarified the conditions for ELA provision to FMIs. https://www.bankofcanada.ca/wp-content/uploads/2016/11/boc-review-autumn16-graham.pdf</p> <p>Furthermore, the BOC discloses its comprehensive framework for its role as provider of ELA through rigorous processes and measures within its areas of competence. The liquidity support clearly distinguishes between bilateral support and market-wide options. Clarity on eligibility, decision-making, interaction with other agencies where relevant and disclosure policies are provided.</p> <p>The BOC has published on its website the conditions, rules and parameters for each form of liquidity support, including institutional eligibility, conditionality, currencies, and financial parameters. https://www.bankofcanada.ca/wp-content/uploads/2015/12/rules-governing-advances-financial-institutions.pdf</p> <p>To respond to severe system-wide liquidity stress, the BOC disclosed the means to provide market-wide liquidity, including by:</p> <ul style="list-style-type: none"> • Increasing the level of settlement balances. • Conducting exceptional buyback transactions, to a maximum term of 380 days, using an expanded range of securities and instruments, provided that certain criteria are met. • Lending to a broader range of financial institutions than participants in the Large Value Transfer System and for terms longer than overnight. • Engaging in outright purchases of an expanded range of securities and instruments, provided that certain criteria are met and subject to amending the Bank of Canada

	<p>Policy for Buying and Selling Securities Under Subsection 18.1(1) of the Bank of Canada Act.</p> <ul style="list-style-type: none"> Typically lending on a market wide-basis but could also lend on a bilateral basis. <p>The BOC discloses the coordination mechanism for ELA provided for individual FIs. It consults with the relevant authorities to determine whether the preconditions for ELA have been met prior to and at the time of an ELA request. For federally regulated FIs, the Financial Institutions Supervisory Committee is the primary forum for the exchange of information and for coordinating strategies. For provincially regulated deposit-taking institutions, the BOC endeavors to establish formal arrangements for communication with the relevant provincial authorities. For FIs that are also overseen by other regulatory authorities, the Bank establishes co-operative arrangements with those authorities to facilitate communication and coordination.</p> <p>https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/framework-market-operations-liquidity-provision/emergency-lending-assistance/#management</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC discloses the rules, parameters, and conditions for emergency liquidity support, including institutional eligibility, conditionality, and financial parameters.</p>
Comments	<p>The BOC may disclose whether interaction with other relevant agencies is formalized through a memorandum of understanding or by other means.</p>
Principle 2.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>Since the BOC does not undertake external AML/CFT supervision the first part of this principle is not applicable to it.</p> <p>The BOC has a detailed internal policy on financial crimes that sets out its framework for internal AML/CFT controls including provisions for risk assessments and preventive measures including customer due diligence, transaction monitoring, sanctions screening, etc. The policy</p>

	also sets out the organizational and reporting structures for implementation of the policy. However, no information on this framework has been disclosed externally. The Annual Report includes a statement (page 28) that the BOC mitigates its exposure to risk of financial crimes through manual and automated controls for unusual and high-risk payment activity. Further, the public may make requests for access to the financial crimes policy and information on the internal controls frameworks, which will be considered by the BOC on a case-by-case basis, keeping in mind security and confidentiality concerns.
Review	Not Applicable Not Implemented—While the BOC has a detailed internal AML/CFT controls framework, the BOC has not made disclosures in line with 2.10 on internal controls framework for activities posing ML/TF risks.
Comments	The BOC should proactively provide a description (with appropriate security and confidentiality safeguards) of its internal controls framework for activities posing ML/TF risks. This description could include a confirmation that the policy is subject to internal audit and confirmation of the timely correction of any identified weaknesses when undertaken.
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: <i>The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.</i>
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	<p>The BOC discloses its operational framework, including its target, to the public and links the inflation target to its operational framework through a description of the transmission mechanism of monetary policy on its website.</p> <p>The website articulates that the BOC conducts monetary policy by setting the target for the overnight interest rate with the aim of influencing short- and long-term market interest rates, as well as asset prices.</p> <p>The BOC highlights three main objectives for Bank’s financial markets operations – to reinforce the target for the overnight rate; to support the efficient functioning of the Canadian financial markets; and to provide backstop liquidity under extraordinary circumstances.</p> <p>The Bank’s framework to support trading at the target rate includes the operating band, or interest rate corridor, which is in turn supported by standing deposit and lending facilities.</p>

	The Bank has operated in a zero-reserve requirement system since 1994. This is disclosed in one of Bank's Discussion Papers.
Review	<p><i>Comprehensive</i></p> <p>The operational framework is disclosed in a simple and accessible manner. BOC's website clearly articulates the main objectives of its operational framework and instruments used. The disclosure is done in the plain language manner, using explainers, which describe the main instrument, the mechanism of transmission from the operational target to the policy target, and the role of exchange rate in the policy framework.</p> <p>The Bank discloses that it operates in a zero-reserve requirement system, but this information is not easily accessible on the website.</p>
Comments	The BOC may add to the operational framework section of the website the explicit notion that the Bank doesn't use reserve requirement instruments.
Principle 3.1.2.	Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.
Description	<p>The BOC discloses the information on its monetary policy implementation framework, including all monetary policy instruments used to stir the market rates around target interest rates, address the payment frictions at the interbank market and provide liquidity support to the banks under extraordinary circumstances.</p> <p>The BOC' website provides the information on the type of instrument used, rules, procedures, terms and conditions of its usage and collateral framework. It is also disclosed (daily) how open market operations are calibrated.</p> <p>In the aftermath of the Global Financial Crisis, the BOC published the framework for conducting monetary operations at near zero lower bound. This document has been updated in 2015 and provides a general overview of the objectives, policy instruments and principles of these operations.</p> <p>The bank has been using explicit state-contingent forward guidance on the number of occasions (last time in 2020-22) and it has been clearly disclosed in the Opening Statement and speeches by GC members.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC discloses in a comprehensive, articulate and timely manner the information on the type of monetary policy instrument used, their terms, conditions and general characteristics, eligible collateral and the role of forward guidance.</p>
Comments	Given the comprehensiveness of the information disclosed, its accessibility might not be perfect and could be enhanced by the establishing a separate landing page on the website, which will contain all information on the conventional and unconventional policy instruments used by the BOC.
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.

Description	Monetary policy counterparties of the BOC, terms and conditions for participation, and their access rights are disclosed on the website . It specifies that the Canadian Primary Dealers in Government of Canada securities have access to BOC's open market operations.
Review	<i>Comprehensive</i> The list of monetary policy counterparties and their access rights are clearly defined and publicly available. Terms and conditions for participation are clear and updated regularly.
Comments	
Principle 3.2.	<i>Cross-border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.</i>
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.3.	<i>Foreign Exchange Management:</i> <i>The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.</i>
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	A full description of the mechanics of any foreign exchange intervention is available on the BOC website. The BOC has typically intervened in the spot market; however, the BOC does not disclose the choice of instruments and the modalities that provides rationale for their use to achieve its policy objectives on its website.
Review	<i>Expanded</i>
Comments	It would benefit if the BOC disclosed the choice of instruments, the modalities, and provides rationale of each instrument to attain the central bank's broader foreign exchange management policy objectives.
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	See 3.3.1
Review	<i>Expanded</i>
Comments	It would benefit if the BOC provides a general description of counterparts to the interventions and the markets targeted by the foreign exchange policy are explained.

Principle 3.4.	Foreign Exchange Reserve Management: <i>The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.</i>
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	<p>Foreign exchange reserve management is performed by the Bank on behalf of the federal government as per its fiscal agent role, but all parameters are the domain of the Government of Canada.</p> <p>Foreign exchange reserve management counterparties, eligibility criteria, and access to operations can be found on the Federal Government's Department of Finance website (see Appendix: Strategic Portfolio Parameters).</p> <p>The annual reports on the Management of Canada's Official International Reserves, includes strategy information, and operations on Canada's official international reserves. The speech by BOC Deputy Governor Tim Lane explains on the Bank's role vis-à-vis the Government of Canada.</p>
Review	Not Applicable
Comments	
Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	Foreign exchange reserve management counterparties, eligibility criteria, and access to operations can be found on the Federal Government's Department of Finance website (see Appendix: Strategic Portfolio Parameters).
Review	Not Applicable
Comments	
Principle 3.4.3.	Assessment: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	See 3.4.1 and 3.4.2
Review	Not Applicable
Comments	
Principle 3.5.	Financial Stability Assessments and Stress Testing: <i>The central bank periodically discloses its assessment of domestic financial stability to the public and is transparent about the methods used for such assessments, including its framework for stress testing.</i>
Principle 3.5.1.	Financial Stability Assessments: The central bank periodically provides to the public its assessment of risk to financial stability, including new and emerging sources of vulnerability.

Description	<p>The BOC regularly publishes comprehensive assessments of the main risks to financial stability in Canada, including new and emerging vulnerabilities. Through its FSR publication (annual), the BOC identifies the main forces that can affect financial stability and explain how it is helping to maintain financial system resilience.</p> <p>Once a year, a senior manager updates the general public about key vulnerabilities and risks to the financial system through Financial System Update Speech.</p> <p>The BOC staff also conduct research throughout the year to keep the BOC's Governing Council informed on financial stability issues, published in the BOC Financial System Hub.</p> <p>The methods and underlying data for such assessments are publicly disclosed, such as Staff Analytical Notes, see for instance https://www.bankofcanada.ca/2019/05/staff-analytical-note-2019-16/.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC publishes, on a regular basis, information on its assessments of the vulnerabilities of the financial system and is transparent on the methods underpinning such assessments. Moreover, the BOC discloses the methods and underlying data used for such assessments, to the extent such disclosure is compatible with the BOC access to data, as a non-supervisory agency, and data protection rule.</p>
Comments	
Principle 3.5.2.	Macprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>The BOC discloses on its website the methods and key assumptions of stress testing. Stress testing is carried out every other year. It focuses on systemic risk. To gain an overall understanding of how the banking system would respond to major shocks, the BOC cooperates with the OSFI and the big banks to conduct a macroprudential stress test. These tests go beyond the assessment of individual banks to consider interactions between banks and the real economy as well as contagion effects across the financial system. The BOC developed a Framework for Risk Identification and Assessment, a suite of models developed to quantify the impact of financial stability risks to the broader economy and a range of financial system participants (households, businesses and banks). https://www.bankofcanada.ca/wp-content/uploads/2018/11/tr113.pdf</p> <p>The BOC assesses how the largest banks would perform in a major adverse scenario, including a severe nationwide recession leading to a rise in financial stress. As mentioned above, the goal of this exercise is not to evaluate outcomes for individual institutions but, rather, to understand the resilience of the banking system as a whole.</p> <p>The BOC discloses the analysis framework that allows identifying potential shocks, vulnerabilities that could amplify them and mitigators that would limit their scope thus, evaluating the potential impact. The BOC discloses the design of the macroeconomic stress scenario and the risks covered, along with underlying assumptions.</p> <p>The BOC discusses the results of these top-down stress tests in its FSR (another example here), including key information on the design of the macroeconomic stress scenario and the risks covered, along with underlying assumptions. This includes details on its estimation, plausibility, and time horizon; the risks covered and detail information on the models used; the full set of assumptions; and the regulatory framework considered.</p>

Review	<i>Comprehensive</i> The BOC discloses the methods and key assumptions of the stress testing framework.
Comments	As part of enhancing its transparency framework, the BOC may consider increasing the frequency of running stress testing to integrate different sectors of the financial system, including banking, insurance and investment funds, as well as households, corporates, and financial market infrastructure) such as central counterparties.
Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	<p>The BOC discloses the type, number and names of institutions covered in its stress testing. This stress test covers the Big Six Canadian banks and the Desjardins Group (referred to collectively as domestic systemically important financial institutions, or D-SIFIs). Together these D-SIFIs account for 90 percent of the total assets of Canadian deposit-taking institutions.</p> <p>Using staff Analytical Notes, the BOC carries out several stress testing, targeting other market agents and financial instruments. For instance, it run a stress test on bond fund to assess how a rapid increase in interest rates caused by economic or financial conditions outside of Canada could affect bond funds, defined as open-ended mutual funds with large holdings of Canadian corporate bonds. The BOC provide information about the underlying data and explains how we identify bond funds. The stress test covers only bond funds, defined as open-ended mutual funds with large holdings of Canadian corporate bonds. The BOC publish the testing approach and the underlying data and explains how we identify bond funds.</p> <p>https://www.bankofcanada.ca/2019/04/technical-report-115/</p> <p>Another example, the BOC also use stress test for household debt as an important source of vulnerability to the financial system, using the Household Risk Assessment Model that has been developed at the BOC, aimed at stress testing household balance sheets at the individual level.</p> <p>https://www.bankofcanada.ca/2016/09/technical-report-106</p>
Review	<i>Comprehensive</i> The CBC discloses the type of institutions and financial instruments covered in the stress testing exercise, but it does not disclose the names of the participating institutions due to confidentiality.
Comments	
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	<p>The BOC disclose the benefit of using stress testing tool to identify and prevent systemic risk. It also discusses possible remedial measures to mitigate the vulnerabilities in the financial sector.</p> <p>https://www.bankofcanada.ca/2016/05/stress-prevention-central-banks-financial-stability/</p> <p>The BOC discloses the main purpose of its stress tests, which is to gain an overall understanding of how the banking system would respond to major shocks. The BOC</p>

	<p>estimates the credit and market losses expected under adverse scenario and the impact on the banking system's loss-absorbing capacity. The stress testing also reveals whether the D-SIFs have sufficient liquidity buffers to withstand funding stress over the course of the scenario.</p> <p>However, the information on the use of the stress test results for the banking system and other agents in the economy such as firms, households and fund managers seem not to lead to possible policy decision, including actions, measures, recommendations, etc.</p> <p>https://www.bankofcanada.ca/2019/05/staff-analytical-note-2019-16/#table1</p>
Review	<p><i>Expanded</i></p> <p>The BOC discloses the main purpose of stress testing.</p>
Comments	<p>While the BOC discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the BOC financial stability policy decisions.</p>
Principle 3.6.	<p>Macprudential Policy Implementation: <i>The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.</i></p>
Principle 3.6.1.	<p>Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.</p>
Description	<p>The BOC does not have a mandate in macroprudential policy and, therefore, it does not develop and implement macroprudential instruments. There is a legal basis for the relevant authorities, such as OSFI, introducing measures and instruments for macroprudential purposes.</p> <p>A significant target of macroprudential measures in Canada over the past several years has been to manage vulnerabilities in the housing market. Dozens of SAC and sub-SAC meetings have been held throughout the past several years discussing this matter. This work has contributed to the relevant regulatory authorities bringing forward effective changes to mortgage underwriting criteria as a means to manage household debt and prudential risk.</p> <p>Nevertheless, the BOC participates in the discussions and in the formulation and design of some relevant macroprudential tools such as the domestic stability buffer and mortgage underwriting rules. The power of deploying these tools does not reside with the BOC.</p> <p>The BOC does have a broader financial stability mandate and, within this context, it develops tools, aimed at maintaining financial stability. The BOC disclosed the design and objectives of these intervention instruments to support key financial markets. During recent market turmoil, financial institutions were reluctant to act in their normal role as market makers for bonds and other financial assets and may become prohibitively risky when the prices of the securities are fluctuating widely. For this reason, the BOC has intervened to prevent a sudden contraction of credit to corporations and households.</p> <p>https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/covid-19-actions-support-economy-financial-system/#Liquidity-for-individual-financial-institutions</p>

	The BOC has published some analysis and described macroprudential instruments in its FSR, as in November 2017 , and through staff analytical notes, such as in 2019 .
Review	<i>Comprehensive</i> The BOC discloses, in general terms, the design and scope of application of financial stability tools. However, there is limited information in the public domain on the BOC's participation in discussions leading to the design and objectives of relevant macroprudential instruments and tools, such as the domestic stability buffer and mortgage underwriting rules.
Comments	While the publication of the deliberations and decisions of the committees and groups dealing with macroprudential tools remain outside the control of the BOC, it could disclose more information on the design and scope of these tools on its website by providing a link to the website of the responsible authorities.
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.
Description	As mentioned above, the BOC does not have an explicit statutory mandate for macroprudential policy, including the enforcement of macroprudential regulations, rules, guidance, etc. While the decision to issue macroprudential measures is the privilege of the MOF, the enforcement is carried out by the prudential supervisory authorities as part of its mandate, based on the provisions set forth in the banking regulation. However, based on its financial stability responsibility, the BOC has a unique capacity, across federal agencies, to carry-out vulnerability assessments that take on a macrofinancial or a system-wide perspective. These assessments lead to the formulations and enforcement of various financial instruments, including liquidity provision that are published on the website a liquidity-provision and FSR . Based on the Payment Clearing and Settlement Act, the BOC discloses its legislative powers to oversee FMI that may potentially pose systemic risk. It also discloses the enforcement mechanisms that are available to influence the design and operation of FMI. https://www.bankofcanada.ca/core-functions/financial-system/oversight-designated-clearing-settlement-systems/guideline-related-oversight-activities/ Furthermore, the BOC is the resolution authority for FMI, and within this context, it is empowered to issue and enforce regulations. It discloses the coordination with other regulatory authorities. https://www.bankofcanada.ca/core-functions/financial-system/oversight-designated-clearing-settlement-systems/#Cooperative-Oversight
Review	<i>Comprehensive</i> The BOC discloses the enforcement mechanisms for financial stability tools affecting system-wide functioning of the financial markets.
Comments	The BOC may consider further enhancing its disclosure framework by informing about its limited enforcement power of macroprudential tools, which are enforced by other governmental agencies.

Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.
Description	<p>For bilateral liquidity support (ELA), the BOC makes clear that it is legally prohibited from disclosing the identity of borrowing institutions. The provision of ELA complements either the recovery actions of the FIs, FMI and the actions of the resolution authority. The amounts of ELA advances are not included in the Bank's Weekly Financial Statistics until public disclosures have otherwise occurred. Any outstanding ELA advances are included in the Bank's monthly balance sheet and its annual and quarterly financial statements at an aggregate level.</p> <p>The BOC's standing facility to respond to severe market-wide liquidity stress is the Contingent Term Repo Facility (CTRF). The CTRF offers funding to eligible counterparties on a standing, bilateral basis against securities issued or guaranteed by the Government of Canada or a provincial government. The published Terms and Conditions for the CTRF disclose the conditions and types of entities that receive support, and provides information on the central bank's risk taking in connection with the support (collateralizing funding with margins/haircuts). Results are reported when active.</p> <p>https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/market-operations-programs-and-facilities/contingent-term-repo-facility/#reporting</p> <p>The BOC has used several programs aimed at providing liquidity to support the Canadian financial system, restore the functioning of key markets, and/or support the continued provision of credit to the Canadian economy. Each of the market notices for individual programs indicated the purpose (i.e. market functioning), which was published on the BOC website covid actions page.</p> <p>This market notice is on each of the asset purchase programs homepages under related notices and indicates the discontinuation/suspension of programs, including the extended term repo and CTRF, "as overall financial market conditions continue to improve in Canada."</p>
Review	<p><i>Comprehensive</i></p> <p>The central bank discloses the forms of market- wide liquidity support measures intended to contribute to restoring/maintaining financial stability or market functioning.</p>
Comments	
Principle 3.9.	Resolution: Selected principles from KA
Description	Not Applicable
Review	Not Applicable

Comments	Not Applicable
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>Since the BOC does not undertake external AML/CFT supervision the first part of this principle is not applicable to it.</p> <p>The BOC's internal financial crimes policy sets out the organizational and reporting framework, including units responsible for implementation and oversight of the policy (including on internal AML/CFT controls) and their respective roles. However, the BOC does not disclose any parts of this information externally. The public may make requests for access to information on resources allocated to internal AML/CFT controls, which will be considered by the BOC on a case-by-case basis keeping in mind security and confidentiality concerns.</p>
Review	<p>Not Applicable</p> <p>Not Implemented—While some information on the organizational and reporting framework and units involved in implementing the internal AML/CFT controls framework is available internally, no part of this information has been published.</p>
Comments	The BOC should consider providing an overview of the resources allocated to meeting its internal AML/CFT controls. The BOC may also publish aggregated data on activities undertaken as per its AML/CFT controls framework as well as a confirmation that the adequacy of resource allocation was subject to an independent audit.
Principle 3.12.	Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: <i>The central bank is transparent about the outcome of its monetary policy conduct.</i>

Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>The BOC’s accountability for the conduct of the monetary policy is ensured by the regular MPR publication, Economic Progress Reports, semi-annual appearances by the Governor and Senior Deputy Governor before the House and Senate Finance and Banking Committees, respectively, and regular (every five years) consultations between the Bank and Department of finance on monetary policy framework renewal.</p> <p>Interactions with the public authorities on monetary policy outcomes are disclosed via different channels. MPR is published and presented at the press-conference following interest rate decision. The appearances before the House and Senate are broadcasted live, plus Governor’s statements are posted at BOC website—the latest could be found here and here. The members of the Governing Council also conduct speeches (about 15-20 per year) on various aspects, related to economic developments and monetary policy, to different audiences.</p> <p>Through these means, the BOC communicates to the public and to designated public authorities the assessment of latest economic developments in the global and Canadian economy, regularly reveals the projections for key economic indicators and discloses the policy actions taken in order to achieve the policy objectives. The MPR routinely includes the box on changes to economic projections compared to the previous report (see for example page 3 of April 2022 MPR).</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC fully discloses to whom it’s accountable for monetary policy and fully transparent in its reporting arrangements. The Bank provides timely all necessary information on monetary policy outcomes (and the reasons for the divergence between target and outcome) to the designated public authorities and this information is open to all external stakeholders. The Bank regularly reports on its economic forecasts and changes to the projections, as well as disclosing the main risks to the baseline economic scenario.</p> <p>At the same time, apart from regularly disclosing the changes to the economic projections, the BOC does not conduct comprehensive post-mortem evaluation of the policy decisions.</p>
Comments	<p>The BOC might consider enhancing its communication on post-evaluation of the policy decisions, by, for example, publishing in the timely manner the details of past economic projections, the decomposition of the forecast errors, and ex-post comparison of the BOC’s forecasts with the external parties’ projections.</p> <p>The BOC might also learn from the experience of other central banks, which commission prominent academic researchers to conduct the external review of the macroeconomic models used in the forecasting process.</p>
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	<p>The MPR provides a range of indicators related to the Bank’s monetary policy objective, including projections for growth and inflation. Each MPR now includes a special box on the discussion of changes to the economic projections compared to the previous report. Statements accompanying these projections indicate progress toward achieving objectives.</p>

	<p>Summary of Key Monetary Policy Variables and Indicators of Capacity and Inflationary Pressures are also published and regularly updated on the Bank's website.</p> <p>The BOC also regularly updates Risks section in the MPR, describing the main risks of the economic outlook, their direction and evolution and how they could affect prospects for achieving monetary policy objectives.</p> <p>Finally, the BOC discloses the economic models, data, and analytical work which are used for facilitating understanding monetary policy outcomes and informing policy evaluations.</p>
Review	<p><i>Comprehensive</i></p> <p>The BOC discloses in a timely, comprehensive, and accessible manner all information (i.e., analyses, projections, data, models, research notes), which help to understand the progress towards achieving monetary policy goals and evaluate the prospects of achieving them.</p>
Comments	<p>While BOC's practices in this area are very well-established, the BOC might proactively think about further enhancing transparency of its economic analysis and projections. For example, Risks section of MPR might not only list the key risks to the baseline scenario but also assess their potential probability and degree of impact on the key economic indicators. That will allow external stakeholders to get a better sense of how these risks, if realized, could influence macroeconomic outcomes and, consequently, the prospects of achieving policy targets.</p>
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>The BOC publishes detailed information about the daily level for the Overnight Rate vis-à-vis its Target. Detailed information about the Bank's balance sheet, including volumes and interest rates for asset purchases and open market operations, is also published on a daily basis. Aggregated bank balances at the central bank (settlement balances) are published daily on the BOC's website. The information about the BOC's assets and liabilities is published weekly.</p>
Review	<p><i>Comprehensive</i></p> <p>The level of the operational target is disclosed daily on the BOC website. The outstanding volumes of operations, including extraordinary operations, banks' settlement balances are also published daily. The information on BOC's balance sheet (detailed composition of assets and liabilities) is disclosed on a weekly basis.</p>
Comments	
Principle 4.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses the outcome of its policy implementation.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	Foreign exchange market intervention is conducted by the Bank of Canada, acting as agent for the federal government, using the government's holdings of foreign currencies in the Exchange Fund Account. The Fund holds U.S. dollars, euros, British pounds, and Japanese yen. The governance framework and decision-making structure is not entirely clear regarding the decision-making process or the role of various committees in context of FXI.
Review	<i>Expanded</i> The decision-making structure for FXI is clearly explained on the website, but the role of various committees and groups is not properly explained
Comments	There is a mention of defined intervention policy in place as indicated on the website. However, broad parameters of that policy should be made clear, especially the context of Government of Canada involvement. It would benefit if the terms of reference of the Monetary Policy Review Committee can be disclosed. Moreover, clarity on the rationale for instrument choice within the toolkit given the market context, if better explained, would be beneficial.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	The BOC explains the rationale and context of intervention in its publications and speeches by the governing council members. These of course hasn't been done recently as BOC is a rare intervener and last intervention was in 1998. The role of the exchange rate in a the macro-economic context is however explained in the annual reports.
Review	<i>Comprehensive</i>
Comments	
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	Any foreign exchange interventions would be announced on the BOC's website, and the amount of intervention would be published in the government's monthly official press release on international reserves and immediately after any intervention, on BOC website.
Review	<i>Comprehensive</i>
Comments	The BOC regularly tests the operational framework and systemic plumbing to ensure the implementation of policy stance is smooth, if needed. This regular systemic testing is good practice, and it will benefit to enhance credibility if BOC also includes this description.

Principle 4.4.	Foreign Exchange Reserve Management: <i>The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.</i>
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	<p>The BOC conducts foreign exchange reserve management on behalf of the Government of Canada, as per the Government's Foreign Exchange Reserve strategy and policies. See the following for a description of how the Exchange Fund Account of the Government is managed.</p> <p>The BOC acts as fiscal agent for the government in this regard, hence policy decisions with regards to the EFA are the responsibility of the Government, upon advice of the BOC. See the following for more information.</p>
Review	Not Applicable
Comments	
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	See 4.4.1
Review	Not Applicable
Comments	
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	See 4.4.1
Review	Not Applicable
Comments	
Principle 4.5.	Macroprudential Policy: <i>The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.</i>
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	The responsibility for macroprudential policy is outside the remit of the BOC. The deliberation and analysis take place within the SAC, of which the BOC is a member (see Principle 2.5.1 and 2.5.2). However, the BOC plays a leading role as its findings inform macroprudential policy decisions. To this end, the BOC is not accountable for the formulation and implementation of macroprudential tools.

	<p>As for financial stability policy, the BOC is actively involved in ensuring the stability of the financial system, based on its broad interpretation of its mandate (see the discussion in Pillar II). In this context, the BOC undertakes research and analysis in several areas, including how to mitigate systemic risk. This analysis forms the BOC's decision whether to intervene to restore the well-functioning of financial markets relying on various financial stability tools and instruments.</p> <p>https://www.bankofcanada.ca/publications/browse/?content_type%5b%5d=542&content_type%5b%5d=858</p> <p>However, the information is relatively limited about the BOC accountability regarding cooperation with other governmental agencies and its participation in various committees and groups, including how it discharges its roles and responsibilities within these fora. The BOC discloses its participation in these committees and groups but without detailing its roles and responsibilities.</p> <p>However, the BOC discloses its accountability as the regulatory oversight authority for payment systems and as the resolution authority for designated financial market infrastructures (FMIs).</p> <p>As for ELA, the BOC discloses its responsibility and accountability to develop and implement liquidity management tools, in both normal and crisis situations (see 4.7).</p>
Review	<p><i>Comprehensive</i></p> <p>The accountability of the BOC on financial stability is, to some extent, disclosed for areas that fall within its remit. For its involvement with other governmental agencies, the BOC does not publish any information on its discharged responsibilities. For instance, there is no publicly available information on the BOC website on the deliberation and outcome of the meetings of SAC, HOA, and FISC.</p> <p>Furthermore, the BOC does not disclose information on whether it issues opinions on the impact of potential legal or regulatory changes.</p>
Comments	<p>The BOC may consider disclosing its accountability on financial stability policies as to whom accountability is owed to and how it is discharged. Furthermore, the key interaction areas between the BOC and designated public authorities and committees should be further clarified.</p>
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	<p>As mentioned previously, the BOC does not have macroprudential responsibility and consequently does not carry out ex-post evaluation of macroprudential policies. As for financial stability, the BOC has assessed its policy through analytical papers and speeches. For instance, the BOC carries out selective analytical studies on the evaluations of its financial stability actions, reviewing the response to the impact of COVID-19 on the Canadian economy, including an asset purchase program aimed at improving market functioning of debt instruments. These studies are published on the BOC website. The pandemic's impact on the BOC's balance sheet is also disclosed,</p> <p>https://www.bankofcanada.ca/2020/10/staff-analytical-note-2020-23/</p>

	The BOC provides ample statistical information forward and backward-looking on the impact of its policy on the health of the financial sector, available on its website.
Review	<i>Expanded</i> The BOC publishes statements on how its policies affect financial stability and vulnerabilities, including the publication of dedicated policy evaluations around its specific financial stability tools (stress tests, event studies).
Comments	To increase the transparency of the impact of its policy, the BOC may prepare reports reviewing its financial stability policy response and implemented measures focusing on the pandemic crisis.
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	<p>The BOC disclosed that the last time it provided bilateral ELA was to Continental Bank in 1986. https://www.bankofcanada.ca/wp-content/uploads/2016/11/boc-review-autumn16-graham.pdf</p> <p>For market-wide exceptional liquidity support measures, the BOC discloses the terms and conditions, amount and types of entities that received liquidity support. They are reported on an aggregate basis.</p> <p>While the framework <i>per se</i> does not provide information about how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning, the BOC will typically communicate openly about market liquidity conditions and explain how its support measures restored market functioning. This is consistent with the BOC's guiding principles for liquidity support: targeted, graduated, well-designed, efficient, non-distortionary, and mitigates moral hazard.</p> <p>Several studies have been carried out aimed at assessing the impact of the BOC liquidity support. For instance, one study shows that the asset purchase program designed to improve market functioning in the Government of Canada bond market has lowered government bond yields.</p> <p>https://www.bankofcanada.ca/2021/10/staff-analytical-note-2021-23/</p> <p>Another study analyzed the impact on Announcing the Bankers' Acceptance Purchase Facility by the BOC. It shows that the spread over the overnight index swap rates significantly declined.</p> <p>https://www.bankofcanada.ca/2020/10/staff-analytical-note-2020-23/</p> <p>The BOC's published balance also shows aggregate results:</p>

	https://www.bankofcanada.ca/wp-content/uploads/2020/04/boc-balance-sheet-sup0320.pdf
Review	<p><i>Comprehensive</i></p> <p>The BOC disclosed the last time it provided bilateral ELA. As for market wide liquidity, the BOC discloses the provision and results of market-wide liquidity support at the aggregate level. The BOC discloses on an ad-hoc basis, through staff analytical notes, the assessment of the impact of its market-wide liquidity support on maintaining market functioning and restoring credit growth.</p>
Comments	In addition to staff notes, the BOC may consider putting in place a framework that provides information on how and to what extent market-wide exceptional liquidity support measures contribute to restoring market functioning and the supporting economy more broadly.
Principle 4.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<ul style="list-style-type: none"> • Since the BOC does not undertake external AML/CFT supervision the first part of this principle is not applicable to it. • The BOC's internal policy sets out details of the oversight framework for financial crimes (including controls to mitigate ML/TF risks). As part of the oversight framework, there is regular reporting on the working on the framework to the management. Further, the effectiveness of the internal controls' functions for financial crimes (including AML/CFT controls) is also subject to internal audit. However, no information on this oversight framework is disclosed and no part of any reports made to management is published. However, the public may make requests for access to information on oversight of internal AML/CFT controls, which will be considered by the BOC on a case-by-case basis keeping in mind security and confidentiality concerns.
Review	<ul style="list-style-type: none"> • Not Applicable.

	<ul style="list-style-type: none"> Not Implemented. While the BOC has a detailed oversight mechanism for monitoring its internal AML/CFT controls including reporting to management on actions taken under the internal controls' framework, no information related to this oversight function has been disclosed as required in principle 4.10.
Comments	The BOC should consider providing an overview of the oversight mechanism for its internal AML/CFT controls with appropriate confidentiality and security safeguards. This information can include aggregated numbers of action taken under the AML/CFT framework (e.g., number of suspicious transactions reports filed, resulting financial intelligence, etc.). The BOC may also publish findings of its internal audit on the effectiveness of the AML/CFT controls, with appropriate confidentiality and security safeguards.
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: <i>The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.</i>
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>Relationship between the BoC and the Government: The relationship between the BOC and the government is detailed in the Bank of Canada Act (available on the Government of Canada website) and also disclosed on the BOC website as noted in the examples below:</p> <p>Consultations and General Powers:</p> <ul style="list-style-type: none"> Section 14(1): Consultations. The Minister and the Governor shall consult regularly on monetary policy and on its relation to general economic policy. This relationship is exemplified by the periodic announcements on the monetary policy framework between the Government of Canada and the BOC. Section 18: Powers and Business. Make loans or advances to the Government of Canada or the government of a province; accept deposits from the Government of Canada and pay interest on those deposits; accept deposits from the government of any province or from any corporation or agency of the Government of Canada. <p>Fiscal Agent:</p> <ul style="list-style-type: none"> Section 24: Fiscal agent of Canadian Government. The Bank shall act as fiscal agent of the Government of Canada; with the consent of the Minister, the Bank may charge for acting as fiscal agent of the Government of Canada; act as agent for the Government of Canada in the payment of interest and principal and generally in

	<p>respect of the management of the public debt of Canada; the Minister may authorize the BOC to manage the lending of money to that corporation on his or her behalf, on any terms and conditions that he or she may establish; the Bank shall not make any charge for cashing or negotiating a cheque drawn on the Receiver General or on the account of the Receiver General or for cashing.</p> <p>The financial relationship with the government, including fiscal agent responsibilities, is disclosed in the BOC's annual financial statements and on the fiscal agent section of the website:</p> <ul style="list-style-type: none"> • Financial Statement Note 1: Funds management services. • Financial Statement Note 2: Fiscal agent and custodial activities. • Financial Statement Note 3: Financial guarantee contracts. • Financial Statement Notes 3, 6, 12: Deposits of Government. • Financial Statement Notes 3, 6: Derivatives, indemnity agreements with the Government of Canada. <p>Approval of Currency Design:</p> <ul style="list-style-type: none"> • Section 25(4): Note Issue and Removal. The form and material of the notes shall be subject to approval by the Minister, but each note shall be printed in both English and French. <p>The role of issuing bank notes was disclosed in the BOC's annual financial statements and was also disclosed as part of periodic bank note unveilings and the introduction of polymer notes:</p> <ul style="list-style-type: none"> • Financial Statement Note 1: Currency and exclusive right to issue Canadian bank notes. <p>Profit Distribution: The regular transfer to the Government's Consolidated Revenue Fund is also detailed in the BOC Act.</p> <ul style="list-style-type: none"> • Section 27: Reserve Funds. If the Bank's reserve fund is at a specified level, the residue is to be paid to the Receiver General and form part of the Consolidated Revenue Fund. <p>This distribution of profit is disclosed in the BOC's annual financial statements:</p> <ul style="list-style-type: none"> • Note 13: Other Liabilities. • Note 16: Equity. <p>There is no explicit provision in the BOC Act that contemplates a need for recapitalization of the BOC.</p> <p>Committees, Consultation and Exchange of Information: The only committee referenced in the BOC Act is the Executive Committee. The relationship between the BOC and the government is also addressed in the Office of the Superintendent of Financial Institutions Act as the Governor of the BOC and the Deputy Minister of Finance are members of the Financial Institutions Supervisory Committee:</p> <ul style="list-style-type: none"> • Section 18: Committee. A committee is established consisting of: the Superintendent (chair); the Commissioner of the Financial Consumer Agency of Canada; the Governor of the Bank of Canada; the Chief Executive Officer of the Canada Deposit Insurance Corporation; and the Deputy Minister of Finance. The purpose of the committee is to
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facilitate consultations and the exchange of information among its members on all matters relating to the supervision of financial institutions, bank holding companies or insurance holding companies. Every member is entitled to any information on matters relating to the supervision of financial institutions, bank holding companies or insurance companies in the possession or under the control of any other member.

No minutes are published for FISC meetings and there is no disclosure of an agenda or a post-meeting announcement of outcomes. A [new superintendent](#) was appointed during June 2021 at OSFI, who is considering how the office can be more transparent. The most recent Financial System Review notes that the BOC “participates actively” in the FISC. The BOC website, on its page that enumerates the [Financial System Committees](#) that the BOC is a member of, provides a summary of the purpose and membership of FISC. There are not in all cases readily available disclosures regarding protocols, periodic announcements of the committee’s agenda items or post-meeting announcements of topics addressed. There might also be pushback from the other members if the BOC advocates increased disclosure. However, if any policy decisions are ultimately made regarding topics addressed in the committees there will be a cover letter for the policy with articulation of the reasons for that policy although not necessarily attribution back to the work of the committee (for example, the development of the [domestic stability buffer](#)). A link is available on the page which summarizes the work of the underlying [members of the FISC](#). The Financial System Committees page also describes a number of other committees the BOC sits on with the Government of Canada:

- [Heads of Regulatory Agencies](#): informal committee, not grounded in statute and chaired by the Governor of the BOC. The website makes available its [terms of reference](#), a [MoU on confidentiality of information](#) and a link to the [Financial System Review Summary](#), which contains updates on the HOA’s work. [Systemic Risk Surveillance Committee](#): informal committee, not grounded in statute and chaired by the Governor of the BOC. The website makes available its [terms of reference](#) and a link to the [Financial System Review Summary](#), which contains periodic updates on the SRSC’s work.
- [Senior Advisory Committee](#): informal committee as a forum for financial sector policy issues, not grounded in statute and chaired by the Deputy Minister of Finance. No minutes are kept for the meetings. There are concerns that release of details would prevent frank conversations. The most recent Financial System Review notes that the BOC “participates actively” in the SAC. On occasion documents from SAC are released to the Parliamentary Committee or under ATIA requests.
- [FMI Resolution Committee](#): informal committee as a body for consultation and information sharing on matters relating to the resolution of Canadian financial market infrastructures, not grounded in statute and chaired by the Governor of the BOC.

Coordination of Policy Statements and Analysis:

The BoC and the Government intermittently release joint or coordinated policy statements, such as the recent example of the [early responsive measures to the pandemic](#) in March 2020; and release of [debt management strategies](#).

In a similar vein, the Department of Finance relies on the BOC as a resource for economic research and special projects.

	<p>Payments and Unclaimed Balances:</p> <p>The Payment Clearing and Settlement Act (1996) sets forth the BOC's responsibilities for oversight and resolution of designated payment, clearing and settlement systems, and its interactions with the government on this function. These include the systemic designation by the Governor, the standing committee which includes the Governor of the BOC and the Deputy Minister of Finance that is responsible for consultation and information sharing on resolution of FMIs, resolution planning, loans from the Ministry of Finance to the BOC and required notifications to the Minister of Finance.</p> <p>The Retail Payment Activities Act establishes the BOC's functions and interactions with the government with respect to supervising retail payments providers. Work is in the early stages on implementation of the Act, which was approved during 2021 and will not go into full effect with regulations in place until 2023:</p> <ul style="list-style-type: none"> • Section 12: Bank's Objectives. Supervise payment service providers that perform retail payment activities; promote the adoption by those payment service providers of policies and procedures; and monitor and evaluate trends and issues related to retail payment activities. • Section 14: Guidelines of the Minister. The Minister may issue guidelines respecting the manner in which select sections are to be applied. <p>The oversight of unclaimed balances held on behalf of the Government of Canada is detailed in the Bank Act. The BOC also has dedicated a section of its website to unclaimed balances, including a capacity to submit a claim:</p> <ul style="list-style-type: none"> • Section 436: Unclaimed balances. If a deposit has been made in Canada that is payable in Canada in Canadian currency or a cheque, draft or bill of exchange and if there has been no activity during a period of ten years the bank shall pay to the Bank of Canada not later than December 31 in each year an amount equal to the principal amount of the deposit or instrument, plus interest.
Review	<p><i>Expanded</i></p> <p>The BOC has disclosed the clear institutional relationship with the Government of Canada as set forth in the BoC Act and other legislation such as the OSFI Act, Bank Act and various payments Acts, including its role as adviser and provider of consultation on financial matters, fiscal agent, issuer of bank notes and overseer of the payment system. This is supplemented by the detail in the financial statements and timely announcements by the BOC on areas of mutual cooperation, for example through coordination of policy statements. With regard to the committees that the BOC and the DOF serve on, improved transparency is needed given the lack of information provided beyond the very basic detail on terms of reference and information sharing.</p>
Comments	<p>One area for improvement regarding the disclosures is with regard to the committees. In some cases, there is no clear agreement on the remit of the committee. Agendas, press releases after a meeting and timely, detailed and committee-specific summaries in the Annual Report or other periodic reports are often lacking. Consistent development of protocols and disclosure of general topics is recommended. Confidentiality concerns could be addressed through an open meeting/closed meeting format and by not releasing information on an individual-institution basis.</p>

Principle 5.1.2.	<p>The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.</p>
Description	<p>A clear statement of the BOC's policies, terms and conditions for transactions with the government is the Statement of Policy Governing the Acquisition and Management of Financial Assets for the Bank of Canada's Balance Sheet, which is posted to the BoC website. The statement was released during 2021 and addresses policy considerations for transactions with and on behalf of the government, including: (i) the objective for holding assets; (ii) acquisition and use of Government of Canada securities issued or guaranteed; (iii) routine, secondary and primary markets purchases; (iv) the securities lending program; (v) loans and advances to the government; and (vi) buyback transactions.</p> <p>The Bank of Canada Act also addresses policies and terms and conditions, referenced in 5.1.1 above: Section 18 (payment of interest on deposits and limits on the amount and maturity of loans); Section 24 (duties and may charge for acting as fiscal agent, charge for cashing or negotiating a check, consent or authorization of the Minister); Section 25 (approval by the Minister); and Section 27 (terms under which profits are distributed). Policies and terms and conditions are also provided in the Retail Payment Activities Act Section 14 (Minister may issue guidelines).</p> <p>Financial Transactions with Government, Fiscal Agent Role, Other Transactions, and Loans: Although the analysis is a bit dated (circa 2015), The "Bank" at the Bank of Canada is also a good summary of the policies, terms and conditions of services performed by the Bank of Canada for the Government of Canada. The analysis notes that the "Bank's principal and largest client is the Government of Canada" and it provides a summary of all the major services provided and compares them relative to the services provided to other BOC clients. The analysis also concludes that the provision of services supports the objective of financial stability. The terms and conditions of the fiscal agent role are also described.</p> <p>The BOC's financial statement notes disclose policy, terms and conditions for financial transactions with the Government:</p> <ul style="list-style-type: none"> • Note 1: The business of the Bank of Canada • Note 2: Basis of preparation • Note 3: Financial instruments • Note 6: Financial risk management • Note 12: Deposits • Note 13: Other liabilities • Note 16: Equity
Review	<p><i>Expanded</i></p> <p>The BOC's statement on financial assets, the Bank of Canada Act provisions and other elements of the legal framework, the published analysis of bank services and the financial statement notes define and disclose procedures for the approval of the policies, terms and conditions for financial transactions with the Government of Canada</p>

Comments	Further clarity regarding disclosure could be achieved through development and disclosure of a regulation or bilateral agreement that summarizes the entire range of policies, terms and conditions governing financial transactions with the Government of Canada.
Principle 5.1.3.	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.
Description	<p>Previously under sub-principle 5.1.1 reference was made to a multi-lateral Memorandum of Understanding (MoU) that addresses information sharing among members of the Heads of Regulatory Agencies Committee, including the BOC and the Department of Finance. Additionally, there are MoUs between the BOC and the Department of Finance, as follows:</p> <ul style="list-style-type: none"> • The Monetary Policy Framework • Memorandum of Understanding on Treasury and credit risk management • Memorandum of Understanding on the retail debt program <p>The BOC publishes The Bank's Roles in the Markets including the underlying Government Securities Auctions page, which has details on the proposed repurchase program for the BOC's holdings of government securities, terms of auctions under the BOC securities lending program and BOC margin call practices. The BOC also posts the framework for its rare interventions into the foreign exchange market on behalf of the Government of Canada.</p> <p>As also noted previously in sub-principles 5.1.1 and 5.1.2, the BoC's quarterly and annual financial statements also provide information on instruments used as part of the institutional relationship between the BOC and the Government of Canada</p>
Review	<p><i>Expanded</i></p> <p>The BOC has defined and developed instruments governing the relationship with the government through MoUs which are publicly disclosed in the functions of monetary policy consultations, fiscal agent, and interventions in the foreign exchange market.</p>
Comments	The BoC should define, where they have not yet been developed, or disclose, if they have been developed, instruments and operational procedures in the functional areas of loans and deposits, currency design, committee, and coordination through the SRSC and SAC, payments and oversight of unclaimed balances.
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	<p>The BOC Annual Report for 2020 discloses a number of outcomes for the institutional relationship between the BOC and Government of Canada and for the broader government agenda:</p> <ul style="list-style-type: none"> • The inflation targeting agreement for 2021 (page 4). • The pandemic crisis response as published on the Financial System Hub as it relates to the agreement (page 20). • Funds management activities as it relates to work as the Government of Canada's fiscal agent (page 26). • Increased debt issuance related to the pandemic crisis (page 26).

	<ul style="list-style-type: none"> • Funds management policy and advice (page 27). • The winding down of the Government of Canada’s retail debt program (page 28). • Bank note technology and security features (page 30). • Reducing the BoC carbon footprint in keeping with Government of Canada targets (page 60). • Advisory committee on Senior Level Retention and Compensation for the Government of Canada (page 65). • Financial risk and indemnification of the BOC’s losses (page 70). • Managing the balance sheet and results of operations (pages 75 to 77). <p>The Financial System Review-2021 makes a specific reference to the work of the HOA and the SRSC and itemizes some of the topics addressed by the committees during the year:</p> <ul style="list-style-type: none"> • Vulnerabilities associated with the housing market and household debt. • Consumer protection regimes and issues that affect consumer confidence. • Crypto asset and stablecoin developments and regulatory coverage • Trends in exposures to the commercial real estate industry. • Trends in business insolvencies. • Canadian and international policy work on climate change and sustainable finance • Market liquidity issues in fixed-income securities.
Review	<p><i>Expanded</i></p> <p>The BOC discloses outcomes in its interactions with the government, which provides a basis for judgements regarding accountability.</p>
Comments	<p>The information disclosed in the FSR 2021 on the agenda for the HoA and the SRSC provides a useful summary of topics addressed during the year. Consideration should be given to more timely disclosures, that are specific to the individual committees at issue and more specific regarding the underlying topics addressed.</p>
Principle 5.2.	<i>Domestic Financial Agencies:</i> <i>The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.</i>
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>As described under Principle 5.1, the BoC is a member of a number of committees as follows:</p> <ul style="list-style-type: none"> • <u>HoA</u>: BOC as lead, discussion of financial sector issues. • <u>SRSC</u>: BOC as lead, collaborate and share information on vulnerabilities and risks to the financial system. • <u>FISC</u>: OSFI as lead, exchange of information on matters relating to the supervision of federal financial institutions.

	<ul style="list-style-type: none"> • <u>SAC</u>: DOF as lead, financial stability and systemic vulnerabilities. • <u>FMI-RC</u>: BOC as lead, consultation and information sharing on resolution of Canadian financial market infrastructures. <p>As also noted previously, there are not in all cases readily available disclosures regarding protocols, periodic announcements of the committee’s agenda items or post-meeting announcements of topics addressed. However, if any policy decisions are ultimately made regarding topics addressed in the committees there will be a cover letter for the policy with articulation of the reasons for that policy although not necessarily attribution back to the work of the committee (for example, the development of the domestic stability buffer).</p> <p>OSFI: The Office is the lead regulator and supervisor of banks and non-banks. The need for access to inspection resources by the BOC is detailed in the BOC Act:</p> <ul style="list-style-type: none"> • <u>Section 22.1(1)</u>: Inspection. The Bank may require that the Superintendent of Financial Institutions perform, for a specified purpose, an inspection of any financial institution within the meaning of the Office of the Superintendent of Financial Institutions Act. <p>This provision does not address a form of joint inspection, but rather involves a request with full reliance on the inspection procedures of the OSFI. This provision has not been invoked in recent memory and no codified agreement has been reached regarding protocols for such a request.</p> <p>CDIC: The Corporation is the resolution authority in Canada as explicitly stated in its enabling Act (Section 7). The Governor and Deputy Governor of the Bank of Canada are ex officio and alternative directors, respectively, of the Canada Deposit Insurance Corporation. There is no operational memorandum of understanding between the BOC and the CDIC, as most of the operational level interactions for the CDIC are with OSFI, the supervisory agency. However, an informal interaction that has developed between the BOC and the CDIC related to Emergency Liquidity Assistance (ELA) is that the BOC solicits the input of the CDIC regarding the solvency of a troubled institution that has applied for ELA. The ultimate decision for whether or not ELA is extended is discretionary and remains with the BoC and there has been very limited consideration of providing ELA in recent memory due to a dearth of failures the past 20 years. There is no MoU to guide the protocols for this interaction regarding ELA.</p> <p>Section 18(m1) of the Bank of Canada Act states that the Bank can “act as a custodian of the financial assets of the Canada Deposit Insurance Corporation and of those of the Canada Mortgage and Housing Corporation.”</p> <p>Cooperative oversight of FMIs is detailed on the BOC’s website.</p> <ul style="list-style-type: none"> • For resolution-related matters: https://www.bankofcanada.ca/2022/01/notice-memorandum-understanding-january-13-2022/. • For oversight of FMIs: https://www.bankofcanada.ca/2014/04/notice-memorandum-understanding/.
Review	<p><i>Core</i></p> <p>The relationships with domestic financial agencies are not always fully disclosed as discussed in principle 5.1.1, improved transparency is needed given the lack of information provided beyond the very basic detail on terms of reference and information sharing.</p>

Comments	<p>See the comments for principle 5.1.1 regarding information on the clear agreement on the remit of the committee. Agendas, press releases after a meeting and timely, detailed and committee-specific summaries in the Annual Report or other periodic reports are often lacking.</p> <p>The BoC, OSFI and CDIC should consummate an agreement regarding protocols and disclose their efforts to determine the viability of illiquid institutions and thus their qualification for emergency liquidity assistance.</p>
Principle 5.2.2.	The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Description	<p>The main legal instrument relied upon to govern the interactions between the BoC and the other domestic agencies is the MoU. This is the case for the MoU governing the relationship between the members of the Heads of Regulatory Agency Committee (HoA) and also the MoUs in the realm of FMIs noted in the previous sub-principle. This instrument is considered unnecessary in the case of the interactions for the FISC, as the Office of Superintendent of Financial Institutions Act sets forth the members and chair, purpose of the committee and information-sharing arrangements.</p> <p>CDIC: The BOC considers the CDIC to be an ‘eligible’ client for receiving a modest number of transaction services of a small volume, but large value). As noted in sub-principle 5.1.2, The “Bank” at the Bank of Canada is a good summary of the policies and instruments used in the interactions between the BOC and the CDIC, primarily the cash accounts and security safekeeping services provided by the BOC.</p>
Review	<p><i>Expanded</i></p> <p>In those cases where MoUs have been agreed to with domestic financial agencies the BOC discloses them.</p>
Comments	
Principle 5.2.3.	With respect to macroprudential policy, the central bank discloses its role, responsibility, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.
Description	<p>The BOC is not the macroprudential authority in Canada. However, the BoC does contribute to the development of macroprudential policy by means of its membership on the Senior Advisory Committee. As discussed throughout the supporting information for Pillar V, available information on the SAC and its activities is limited, with the dedicated page for financial system committees on the BoC website noting a very brief summary of its focus on “financial sector policy issues, including financial stability and systemic vulnerabilities,” the fact that it is chaired by the Deputy Minister of Finance and that its members are the same as those for the FISC. Insertion of the term “senior advisory committee” into the BOC website search engine yields little more than passing references to the SAC. The enabling of the committee is not grounded in statute as in the case of the FISC. No terms of reference or MoUs are provided for this committee, as is the case for some of the other informal committees with the other domestic financial agencies. No periodic announcements of the committees’ agenda items or post-meeting follow up on topics addressed are disclosed. BOC contributions at SAC meetings may influence final released policies, but the extent of this is not discernible.</p>

Review	Not Applicable ³
Comments	The role, responsibility, and actions of the SAC as it relates to the BOC and other authorities need to be more clearly specified in the realm of the BOC's contribution to development of macroprudential policy given the present limited disclosure. Agreement on and disclosure of an MoU accompanied by regular announcements of committee actions would improve the current modest level of disclosure.
Principle 5.2.4.	With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.
Description	<p>The BOC discloses its arrangements for data sharing, liquidity support and the responsibility for decision making for the multiple financial system committees that it participates in related to its financial stability mandate:</p> <ul style="list-style-type: none"> • <u>HoA</u>: BOC as lead, discussion of financial sector issues, terms of reference for the committee, MoU regarding data sharing and confidentiality. • <u>SRSC</u>: BOC as lead, collaborate and share information on vulnerabilities and risks to the financial system, terms of reference for the committee. • <u>FISC</u>: OSFI as lead, exchange of information on matters relating to the supervision of federal financial institutions, the terms of reference are based on the enabling statute for OSFI, the Office of the Superintendent of Financial Institutions Act. • <u>FMI-RC</u>: BOC as lead, consultation and information sharing on resolution of Canadian financial market infrastructures, terms of reference for the committee. <p>As detailed under Principle 2.7, the BOC discloses its arrangements on liquidity support.</p>
Review	<i>Expanded</i> The BoC discloses the arrangements for data sharing and confidentiality, liquidity support and the decision-making process.
Comments	The BOC, OSFI and CDIC should consummate an agreement regarding protocols and disclose their efforts to determine the viability of illiquid institutions and thus their qualification for emergency liquidity assistance. BOC ultimately holds the discretion to make the final determination.
Principle 5.3.	Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.
Description	BoC Interactions with Foreign Agencies: The relationship between the BOC and foreign agencies is detailed in the Bank of Canada Act (available on the Government of Canada website) and also disclosed on the BOC website as noted in the examples below:
³ Since the BOC has no formal macroprudential mandate, the rating category has not been assigned. However, as the BOC is contributing to the development of the macroprudential policy the description of practices, comments, and recommendations have been provided.	

	<ul style="list-style-type: none"> • Section 4: Branches and Agencies. The Bank may establish branches...elsewhere than in Canada. • Section 18(m): Powers and business. The Bank may open accounts in a central bank in any other country or in the Bank for International Settlements accept deposits from central banks in other countries, the Bank for International Settlements, the International Monetary Fund, the International Bank for Reconstruction and Development and any other official international financial organization, act as agent or mandatary, or depository or correspondent for any of those banks or organizations, and pay interest on any of those deposits. <p>The "Bank" at the Bank of Canada provides a summary of the dealings between the Bank of Canada and foreign agencies and in particular foreign central banks and international financial organizations. The analysis includes a side-by-side comparison of the services offered to foreign central banks as compared to other BOC clients.</p> <p>The BOC discloses on its website bilateral liquidity swap arrangements that have been converted into standing agreements.</p> <p>The BOC participates in regional initiatives related to its membership in the Basel Committee Outreach Group, the Financial Stability Board's Regional Consultative Group for the Americas and regional and global crisis management groups.</p> <p>International Groups:</p> <p>The BOC contributes to international discussions on important financial system issues, collaborates with other central banks on research into the international financial system and provides technical assistance:</p> <ul style="list-style-type: none"> • Participates in joint missions of the International Monetary Fund and the World Bank. • Contributes to Canada's participation in G7 and G20 discussions on global economic stability. • Provides ongoing support for the committees and working groups of the Bank for International Settlements and the Financial Stability Board • Participates in the Central Banks' and Supervisors Network for Greening the Financial System <p>Cooperative Oversight:</p> <p>The BOC is a party to multilateral arrangements for the co-operative oversight of CLS Bank and LCH's SwapClear:</p> <ul style="list-style-type: none"> • The BOC is a member of the Oversight Committee of CLS Bank. The Oversight Committee serves as a mechanism for participating central banks to carry out their individual responsibilities for the safety and efficiency of payment and settlement systems, and the stability of the financial system. SwapClear - The Bank of Canada conducts its oversight through participation in a multilateral arrangement for oversight co-operation led by SwapClear's lead regulator, the Bank of England.
Review	<p><i>Expanded</i></p> <p>The BOC Act envisions interactions with and services provided to international organizations, foreign governments, other central banks and other foreign agencies. Section 4 envisions an on-the-ground presence outside Canada with the establishment of branches. BOC has the</p>

	required authorities, develops the relationships with foreign agencies and the BOC discloses, most prominently on its website, details on the nature and progress for these interactions.
Comments	
Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	<p>The BOC is a shareholder in the Bank for International Settlements. This is disclosed in the BoC's Annual Report and in the Financial Statement notes:</p> <ul style="list-style-type: none"> • Note 3: Financial Instruments. • Note 13: Commitments, contingencies, and guarantees. <p>The BoC participates in several private industry groups (see bottom portion of the web page):</p> <ul style="list-style-type: none"> • Canadian Foreign Exchange Committee (CFEC)-the BOC discloses meeting minutes and presentations from CFEC meetings and chairs the meetings. • Canadian Fixed Income Forum-the BOC discloses meeting agendas. • Canadian Alternative Reference Rate Working Group-the BOC discloses meeting agendas and a range of background and working group documents; • Canadian Financial Sector Resiliency Group (CFRG)-the BOC disclosed the initiation of the group which is a joint public-private initiative with sitting members of government (BOC, DOF, OSFI) and the private sector (systemic banks and FMIs). and periodically references activities of the group; much of the work on the Cyber Security Strategy was undertaken by the group. <p>The BOC has oversight over Payments Canada which is owned by financial institutions and operates payment clearing and settlement systems in Canada, primarily Lynx which has been designated as a systematically important payment system. The BOC financial statements reflect collateralized loans, receivables and deposits of Payments Canada members:</p> <ul style="list-style-type: none"> • Note 3: Financial instruments. • Note 5: Loans and receivables. • Note 6: Financial risk management. • Note 15: Commitments, contingencies and guarantees. <p>The BOC also has a small amount of holdings of corporate bonds (a very small fraction of one percent) disclosed in the financial statements under notes 3 and 6 which are held in order "to support the liquidity and proper functioning of the corporate debt market."</p>
Review	<p>Expanded</p> <p>The BOC makes public its interactions with private institutions through the Annual Report and financial statements, details on meetings with industry groups and disclosures of related documents in the context of industry groups and payment oversight.</p>
Comments	The relationship with Payments Canada may warrant a dedicated page given its central role in payment clearing and settlement through Lynx. The level of detail for the industry groups is uneven, with the most detail provided for CFEC and the CFRG.

Appendix I. List of Bank of Canada Units and External Stakeholders

Bank of Canada Senior Management and Staff:

- Governor
- Senior Deputy Governor
- Members of Executive Council
- Members of the Board of Directors
- Banking and Payments
- Canadian Economic Analysis
- Chief Operating Officer
- Communications
- Currency
- Executive and Legal Services
- Financial Markets
- Financial Stability
- Financial Services
- Financial and Enterprise Risk
- General Counsel & Corporate Secretary
- Human Resources
- Internal Audit
- International Economic Analysis

External Stakeholders:

- Academia (McGill University, University of Toronto, Université du Québec à Montréal, University of Ottawa)
- Canada Deposit Insurance Corporation
- Department of Finance Canada
- Financial Consumer Agency of Canada
- House of Commons Standing Committee on Finance
- Office of the Superintendent of Financial Institutions
- Media Representatives (Bloomberg, MNI Market News, Thomson Reuters, Postmedia)
- Private Sector Chief Economists (BMO, Manulife, Scotiabank, VMBL)
- Representatives of Market Dealers (National Bank of Canada, Bank of Montreal, Royal Bank of Canada, Scotiabank)
- Members of the Canadian Foreign Exchange Committee (CFEC)
- Senate Standing Committee on Banking, Trade and Commerce
- Think Tank (C.D. Howe Institute)